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STATEMENT OF

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BEFORE THE

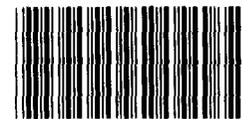
SUBCOMMITTEE ON MILITARY PERSONNEL
AND COMPENSATION
HOUSE COMMITTEE ON ARMED SERVICES

ON

HOW THE U.S. MILITARY RETIREMENT SYSTEM
COMPARES WITH OTHER SYSTEMS

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you this morning as you embark on the difficult task of examining the U.S. military retirement system. To begin this examination and to help provide an overview of the kinds of retirement systems and provisions being used by others, you asked that we bring together, first, comparative information about the military retirement systems of several countries; namely, Australia, Canada, France, Israel, the United Kingdom, the Soviet Union, and West Germany, and, second, information about Federal, State, and local government systems, focusing on the special provisions



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of systems which have been applied to certain select occupations (protective services personnel, air traffic controllers, and Foreign Service personnel).

This information, in detail, is contained in the appendices to this statement. Because of the size of these appendices, time does not permit my discussing all of the results of our overview of retirement systems. Instead, I will concentrate on a few select comparisons which I believe will be most useful to you in your continuing efforts to evaluate the military retirement system.

My remarks, separated into three sections, will compare the U.S. military retirement system with (1) the military retirement systems of seven other countries; (2) four other Federally-sponsored retirement plans; and (3) eight State and local retirement systems.

COMPARISON OF THE U.S. MILITARY
RETIREMENT SYSTEM WITH THOSE
OF OTHER COUNTRIES

Comparing the U.S. military system with those of other countries can provide many useful insights. However, in our view, it is unrealistic to expect such an examination to provide a definitive answer as to how the U.S. system should be designed or structured, or what special provisions and benefit formulas might be appropriate. This is due to four factors: first, within each country, there are a whole host of societal

differences and differences in expectations which may affect how their retirement system is structured and the benefit levels are determined. Second, each country may see its military mission, and thus the kind of force it needs to accomplish that mission, somewhat differently. This would affect not only force size and structure but also policies concerning active duty age limitations and their retirement system. Third, within each country, retired pay or pensions may make up different parts of their total compensation package. Thus, comparisons of the retirement component alone may be misleading. Finally, the controlling objective of each country's retirement system--i.e., as an instrument to manage the types of personnel currently serving on active duty or as an instrument to insure adequate living standards for elderly veterans--may differ.

Nonetheless, comparisons of common elements and specific features of different retirement systems can be instructive and help focus attention on features which may be applicable to the U.S. military retirement system.

As you can see from appendix I, the complexity of the different retirement systems--for example, terminal pay versus an average salary over several years as the calculation base--soon turn specific comparisons into an exercise of mental

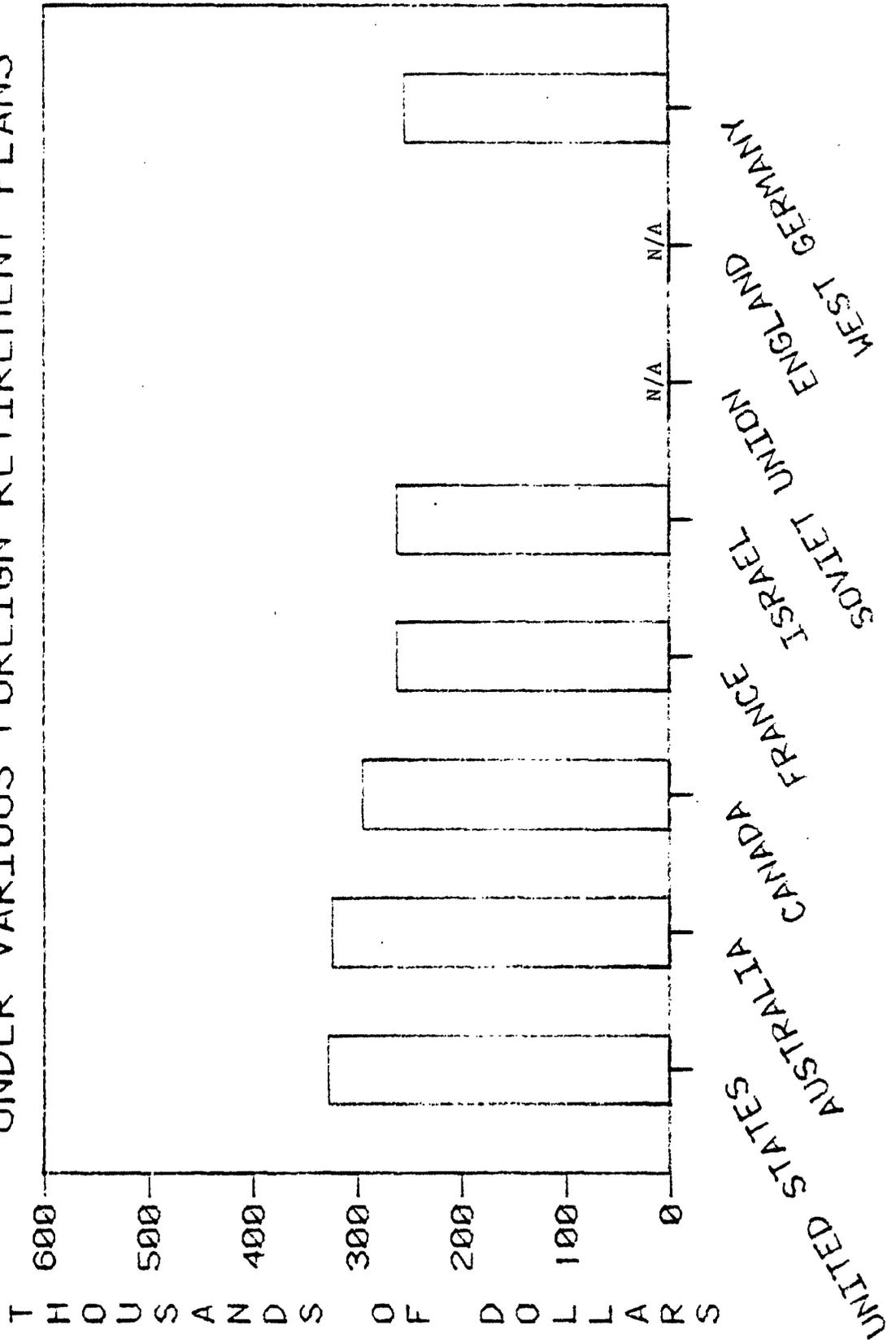
gymnastics. To provide an overall comparison, however, we have calculated the estimated lifetime earnings of (1) a typical U.S. enlisted person and (2) a typical U.S. officer.

In each case, we have calculated benefits on the basis of retiring at 20 and 30 years of service--calculated first under the U.S. military retirement system and then by applying other countries' formulas. These calculations of lifetime retirement earnings provide an estimate of what a U.S. military person--using U.S. military pay rates--would receive under the various retirement schemes, not what the typical foreign military retiree actually gets. For those countries in which total compensation rather than base pay is used as the basis for calculating retirement benefits, we have calculated retirement benefits using U.S. Basic Military Compensation instead of only base pay as the earnings base. The estimated lifetime earnings are not adjusted for benefit increases due to inflation after retirement nor are they discounted. Also, the estimates do not take into account whether the active duty pay system requires an employee contribution or whether additional old age benefits are received through a national social security program.

Because each retirement system analyzed here includes a number of complex provisions, a single lifetime earnings estimate cannot precisely portray differences in the characteristics among them. These lifetime retirement earnings estimates should

Figure 1

COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR ENLISTED PERSONS WITH 20 YEARS OF SERVICE
UNDER VARIOUS FOREIGN RETIREMENT PLANS



N/A: Retirement at 20 years of service is not permitted in these systems.

Figure 2

COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR ENLISTED PERSONS WITH 30 YEARS OF SERVICE
UNDER VARIOUS FOREIGN RETIREMENT PLANS

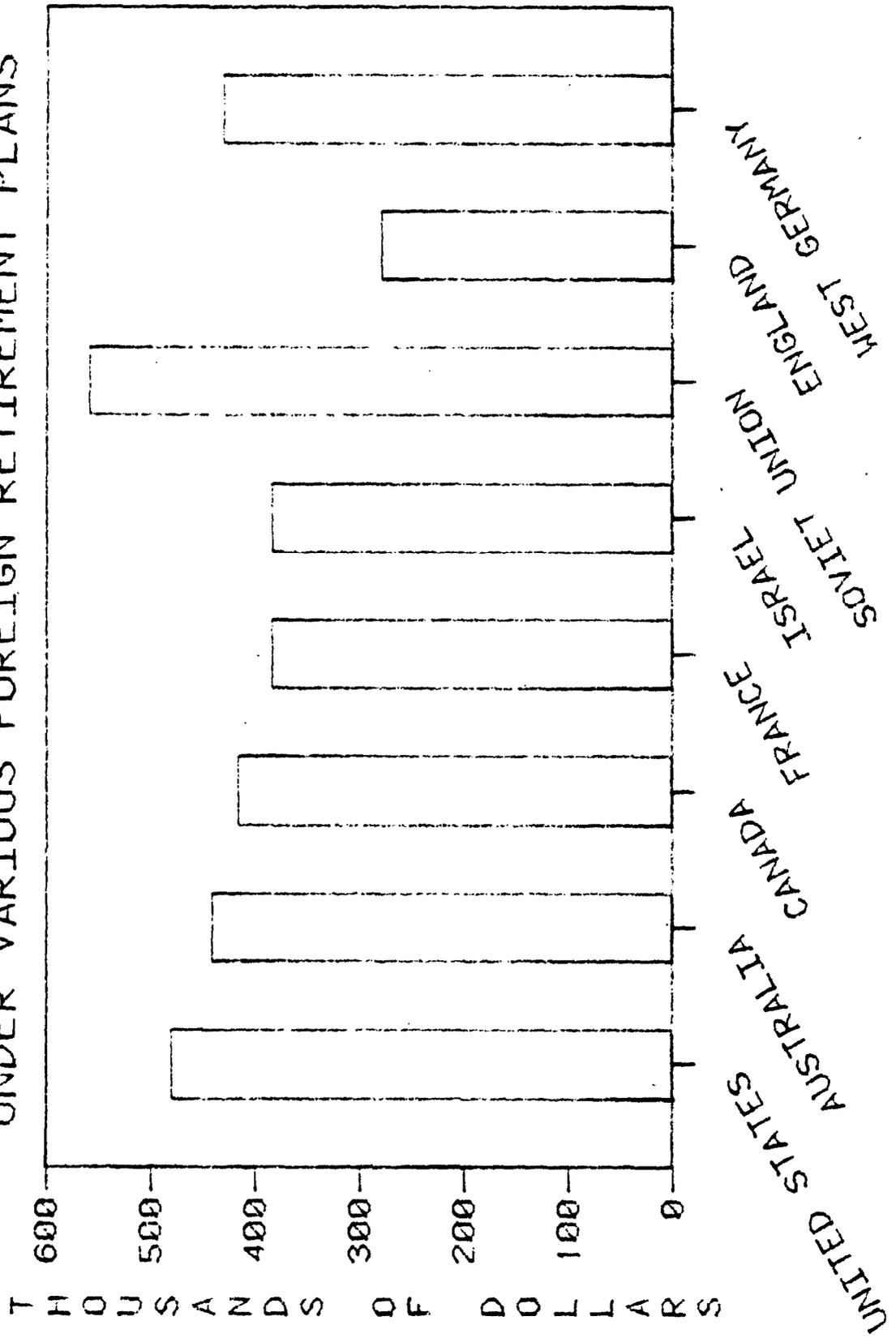
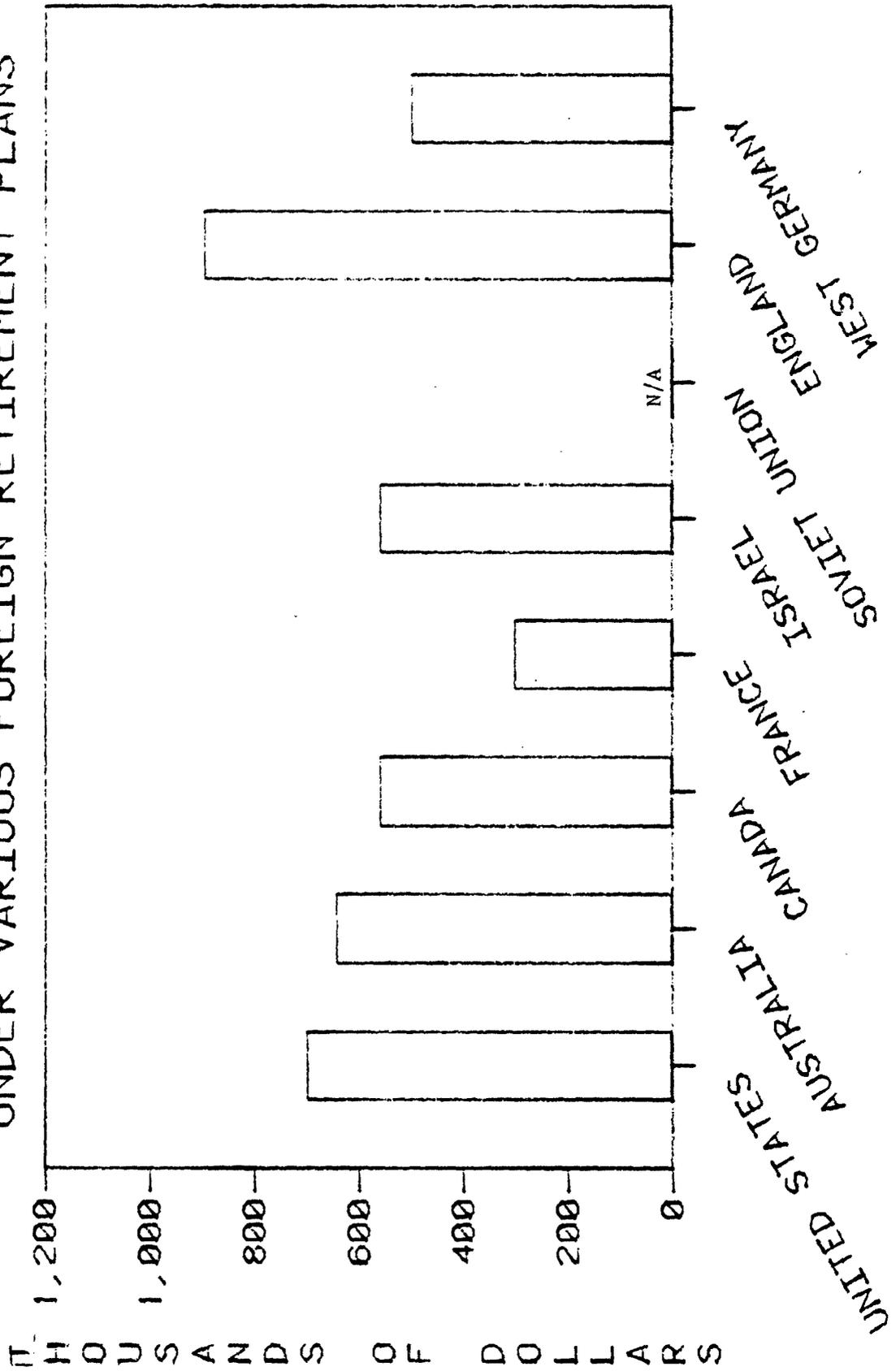


Figure 3

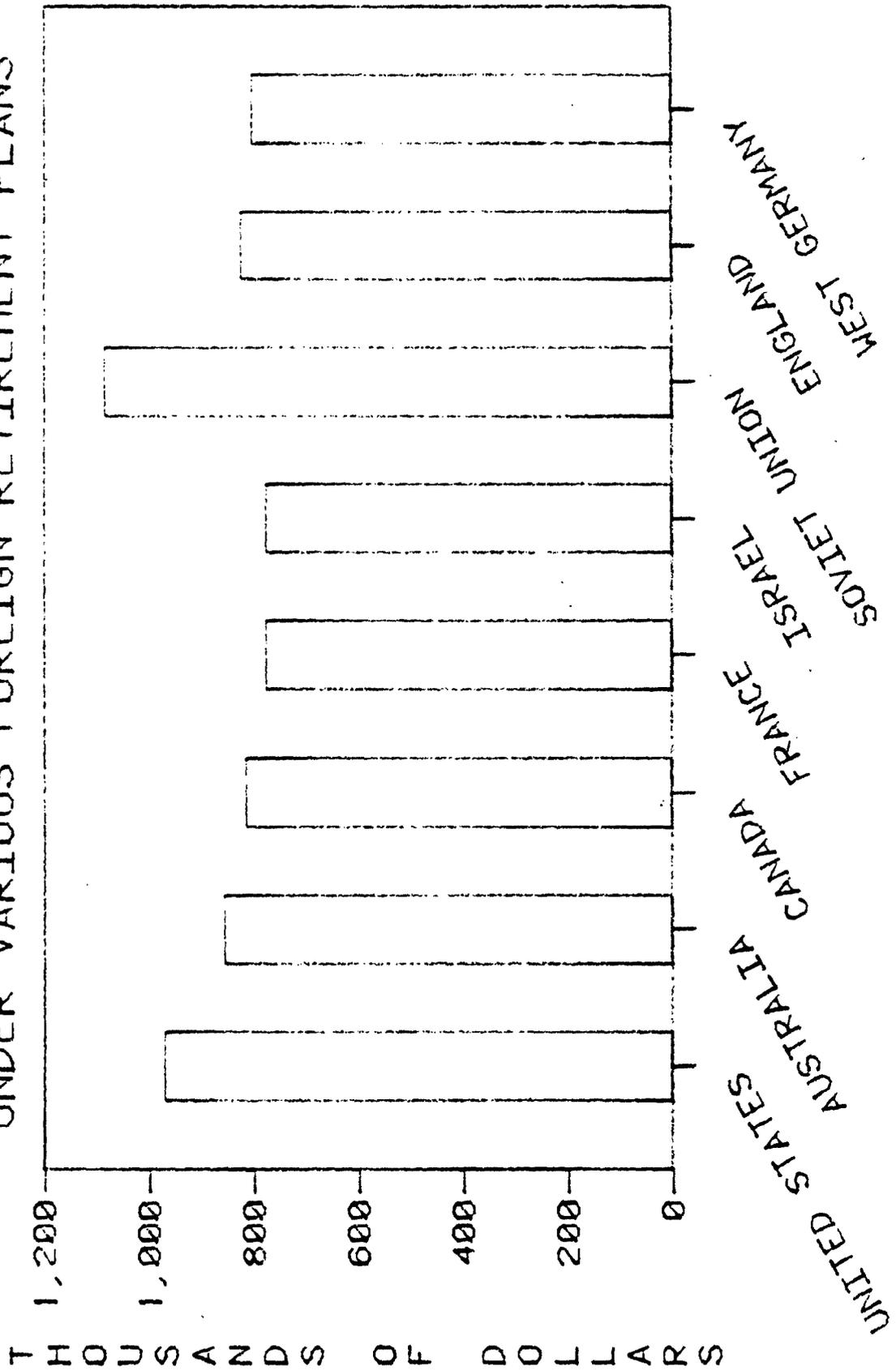
COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR OFFICERS WITH 20 YEARS OF SERVICE
UNDER VARIOUS FOREIGN RETIREMENT PLANS



N/A: Retirement at 20 years of service is not permitted in these systems.

Figure 4

COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR OFFICERS WITH 30 YEARS OF SERVICE
UNDER VARIOUS FOREIGN RETIREMENT PLANS



be interpreted as rough indicators of the level of benefits available under the various retirement systems. Figures 1 through 4 graphically compare these lifetime retirement earnings for the eight retirement plans analyzed in this section. Table 1 of appendix V provides supporting detail for these figures.

As you can see from figures 1 through 4, the lifetime earnings resulting from the U.S. retirement system exceed those of other countries in nearly every case. The only exceptions are the British officer, where pay structure differences make it appear to be advantageous to retire after 20 years of service, and Soviet military members retiring after 30 years of service. On the average, however, the lifetime earnings resulting from use of the benefit formulas for the various countries are only 80 percent as great as the lifetime earnings estimated under the U.S. system.

Years of service and age at which
nondisability retirement benefits
are payable

The U.S. retirement system allows both officers and enlisted members to voluntarily retire on an immediate annuity after 20 years of service, regardless of age. Nonetheless, Department of Defense (DOD) statistics show that of those on the nondisability retired rolls as of September 30, 1982, about 45 percent of enlisted members and 21 percent of officers, had retired at 20 years of service, usually at age 39 for enlisted

members and 43 for officers. Most enlisted members (77 percent) had retired by the 23rd year of service and most officers (58 percent) had retired by the 25th year of service. As you will note on page 5 of appendix I, the average retirement age for U.S. enlisted members was 42 and for officers was 46.

As you can see from pages 2 and 3 of appendix I, except for West Germany, the retirement systems of the other countries we surveyed also contain provisions for early retirement; that is, retirement with an immediate annuity after completing 20 or 25 years of service. However, in some instances, chronological age was also a factor. For example, in order to draw an immediate annuity, French officers must serve at least 25 years and be 45 years of age, while officers and enlisted men of the Soviet Union must also serve 25 years but be at least 46 years of age. In the West Germany system, to be eligible for retirement benefits, all career enlisted personnel must attain the minimum age of 52. The minimum age requirement for German officers begins at age 52 at the rank of Captain (O-3) and increases by grade in 2-year increments to age 60 for Generals.

Although most of the countries surveyed provide for early retirement, it is interesting to note that, with the exception of Australia, the early retirement provisions are not as attractive as the U.S. system and do not encourage many early retirements. For example, in contrast to the U.S. average age for

officer retirement of 46, the average retirement age of officers is 56 in France and 50 to 55 in the Soviet Union. In West Germany, where early retirement is not allowed, the average retirement age of officers is 57.

In Israel, the average retirement age of enlisted personnel is between age 50 and 55--considerably older than the American average. Although eligibility for Israeli retirement benefits does not depend on age in all cases, the minimum years of service necessary for eligibility requires 25 years of career (that is, not including conscript) service. This eligibility criteria is considerably stricter than the U.S. requirement for 20 years of service in which all years of active duty service are counted.

Cost-of-living adjustments

In 1963, the Congress adopted a policy of full inflation protection of U.S. military retired pay with cost-of-living adjustments (COLAs) being made on the basis of changes in the Consumer Price Index (CPI). Prior to 1963, retired pay was generally adjusted or recomputed on the basis of active duty pay increases. The specific provisions for adjusting military retired pay have changed several times since 1963, but the policy of full inflation protection has, up to now, generally remained intact.

At the present time, there is a temporary COLA limitation for retirees under age 62 and the President has proposed to make a similar limitation permanent. The current limitation applies to fiscal years 1983 through 1985 adjustments and provides that retirees under age 62 on the effective date of the increase will receive one-half of the projected CPI increase, plus the amount, if any, by which the actual CPI increase exceeds the projected increase.

Our survey of the seven countries' military retirement systems indicates that all--except the Soviet Union--provide for at least an annual COLA. We were told that the Soviet Union believes it has no inflation and thus no need for COLAs. COLAs in the various countries are generally based on the CPI for that country, except for West Germany, where the amount of both the active duty and retired pay increases are subject to union negotiations.

Two countries, however, Canada and Great Britain, have an age or age and years-of-service limitation on retired pay adjustments. Canadian military retired pay is adjusted annually on the basis of the CPI if the retiree has attained age 55 or if his combined age and years of service equals 85. In Great Britain, retired pay is not adjusted prior to age 55, but, at age 55, retired pay is adjusted for the cumulative loss prior to that time and is thereafter adjusted annually on the basis of the CPI.

Contributory versus noncontributory retirement
and integration with social security

Concerning contributions by service personnel, three of the seven countries surveyed--Australia, Canada, and France--have contributory retirement plans, with contributions ranging from 5.5 to 7.5 percent of salary (not basic pay). In addition to the U.S., four countries--Israel, Great Britain, West Germany, and the Soviet Union--have noncontributory plans.

Concerning the integration of military and social security retirement, the three countries with contributory retirement plans--Australia, Canada, and France--also have fully integrated the military retirement system with their national social security programs and in two of these countries--Canada and France--members also contribute to social security--1.8 percent of salary in Canada and about 2.5 percent of pay in France. (Australian military personnel receive free credits.) In all three of these countries, military pensions are either partially or fully offset by the amount received under their national social security plans.

As you know, the U.S. military retirement system is noncontributory, and its benefit payments are not integrated with social security payments--social security benefits are 100-percent additive to military retired pay.

Of the other four countries with noncontributory retirement systems, Israel and Great Britain provide social security benefits which are fully additive to retired pay.

But in the remaining two countries with noncontributory military retirement systems--West Germany and the Soviet Union--military retirees are not eligible for national social security benefits.

Vesting of retirement benefits

Individuals who may eventually benefit from a retirement plan are generally concerned with the date on which they obtain a legal, nonforfeitable right to either present or future enjoyment of retirement benefits. This is referred to as vesting. While it is commonly thought that U.S. military retirement benefits are "vested" at 20 years of service, DOD officials point out that entitlement to retired pay after having completed 20 years of service is conditional--retirees are subject to recall, they must comply with certain postretirement employment restrictions, and they can lose retirement benefits for violating certain provisions of the Uniform Code of Military Justice.

What do other countries do in this regard? In the seven countries surveyed, we found a variety of practices:

- The Australian system is somewhat similar to that of the U.S.; members become entitled to receive retired pay upon completion of 20 years of service, except for late entry officers (mostly medical personnel) who become vested after 15 years of service.
- The French system vests officers after 25 years of service, but enlisted members after only 15 years of service.
- Soviet military personnel generally do not become entitled to retired pay until after they have completed 25 years of service, but again there are exceptions for members released due to reductions in force.

- Israeli military members become vested after completing 10 years of career military service plus 3 years of conscriptive duty--a total of 13 years service.
- West German and Canadian career personnel become vested after 10 years of service.
- In the United Kingdom, service members who have at least 5 years of service and have reached age 26 are eligible to receive a pension at age 60.

Disability and survivor benefit provisions

As shown on pages 13 and 14 of appendix I, survivor benefit plans and disability retirement provisions are common to all the foreign military retirement plans we surveyed. Most survivor benefit plans are noncontributory whereas the U.S. plan requires a contribution from the retiree, and many are integrated with the national social security program, as is the U.S. survivor benefit plan. Disability retirement benefits vary considerably but generally they bear the same relationship to nondisability retirement as in the U.S. system; i.e., based on a percentage of disability and/or years of service.

Lump-sum payments

An attractive feature--at least from the retiree's perspective--of several of the foreign country retirement plans is the option, upon retirement, to receive a substantial portion of future benefits as a lump-sum payment. And, in the case of Israel and Great Britain, the lump-sum payments are tax free. Further annuities are usually reduced accordingly, but the lump-sum payment is often viewed as a means of capital or equity accumulation which may not otherwise be available to military members.

Military reserve retirement

Concerning the provision of retirement benefits for reservists, we noted that the United States is the only country to provide such benefits. In the U.S., reservists who complete 20 creditable years of active and reserve service for retirement purposes may become eligible to receive retired pay at age 60. Reserve retirement will cost an estimated \$1.2 billion in fiscal year 1984.

Summary

When compared to other country's systems, the U.S. military retirement system contains many provisions of distinct advantage to the military retiree. Provisions of the system which favor the military retiree include:

- Minimum years of service necessary for an immediate or full annuity.
- Cost-of-living adjustments of retirement benefits.
- No required contributions.
- Addition of social security benefits to retirement benefit earned during military service.
- Availability of retirement benefit for reserve service.

At the same time, however, advantages in the areas of providing survivor benefits, vesting retirement rights, and providing eligibility for lump-sum payments upon retirement can be found in some other countries' systems.

In sum, however, the U.S. system appears to be as or more generous than the other systems examined. Further, in terms of lifetime earnings, the total received by U.S. military retirees is considerably above what they would receive if they retired under the provisions of the retirement systems of these other countries.

COMPARISON OF THE U.S. MILITARY AND
FEDERAL CIVILIAN RETIREMENT SYSTEMS

In addition to the U.S. military retirement system, with which you are primarily concerned, there are several other retirement programs for Federal Government employees. From among these, you asked that we provide information on the special features of the Civil Service Retirement System designed for protective services personnel (law enforcement officers and firefighters) and air traffic controllers, as well as personnel covered by the Foreign Service Retirement System.

In order to gain an appreciation of the nature of the retirement programs for individuals from these groups, it is useful to define the retirement rules and benefits applicable for the vast majority of other Federal employees.

The civil service retirement
system for general employees

The general features of the nondisability Civil Service Retirement System, by far the largest of the nonmilitary systems, are optional retirement at age 55 with 30 years of

service; age 60 with 20 years of service; or age 62 with 5 years of service. Benefits are calculated on the basis of the average of the high-3 salary years and are the sum of (1) 1.5 percent of average high-3 salary for the first 5 years, (2) 1.75 percent of average high-3 salary for the next 5 years, and (3) 2 percent of average high-3 salary for all years of service over 10, with a maximum benefit of 80 percent of the high-3 average salary. The system is contributory, with civil service employees paying 7 percent of salary. Current employees are generally not covered by social security, but they do contribute for Medicare benefits. For employees who do not complete full careers, retirement benefits are vested at 5 years of service, with a deferred annuity available at age 62 if they have not withdrawn their contributions from the fund. For all retirees, benefits are adjusted annually on the basis of changes in the CPI--except for fiscal years 1983 through 1985 when there is a temporary limitation on COLAs for retirees under age 62. (Appendix II contains a more complete description of the Civil Service Retirement System.)

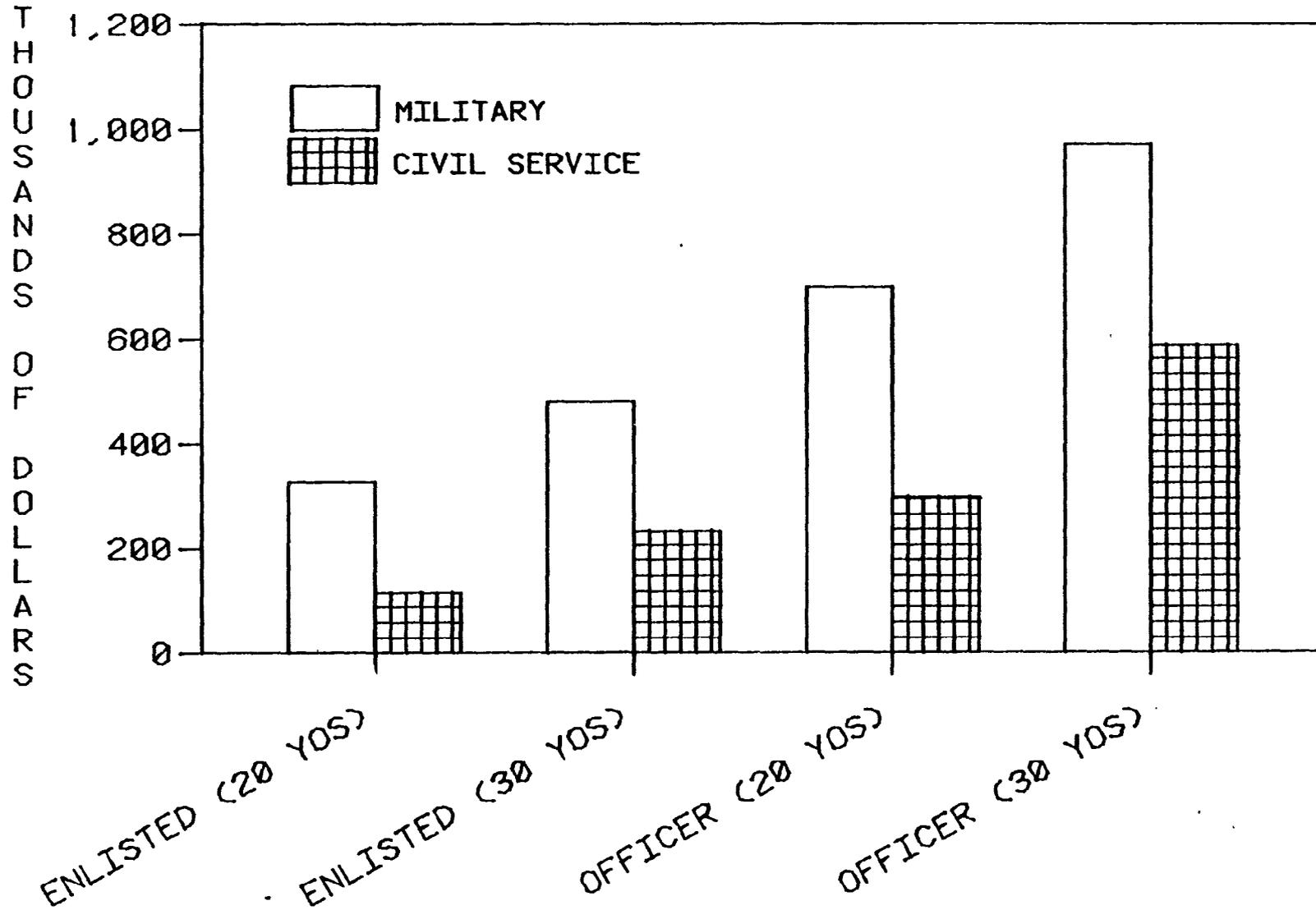
What is less well known about regular civil service retirees is that over the past 10 years their average age for voluntary retirement has been 61. This compares to an average retirement age for military officers of 46 and for enlisted personnel of 42. Also, a civil servant retiring with 30

years of service (at age 55) will receive only 56.25 percent of his average high-3 salary, whereas a military member retiring with 30 years of service--usually at age 53--will receive 75 percent of terminal basic pay--about 62 percent of his final Basic Military Compensation (basic pay, basic housing and subsistence allowances, and tax advantage) which is often regarded as the military equivalent to a salary.

These differences in retirement ages and benefit percentages considerably reduce the expected lifetime earnings that a military retiree could expect to receive if he or she was subject to the normal retirement provisions of the civil service system. In figure 5, we used current military rates of pay to estimate what the total retirement earnings of a military retiree would be if the retiree was subject to civil service retirement rules. (Supporting data for figure 5 are shown in table 2, appendix V.)

Because the civil service system does not permit retirement with immediate annuities at the average age of military retirees, we have assumed that retirees with 20 years of service would retire at the same age as they do presently but would not receive annuity payments until the civil service eligibility age, that is, at age 62. Similarly, military retirees with 30 years of service are assumed to retire at age 49 (enlisted) and age 53 (officer) but not to receive retirements benefits until

COMPARISON OF LIFETIME RETIREMENT EARNINGS
BETWEEN MILITARY AND GENERAL CIVIL SERVICE
RETIREMENT PLANS



age 62. We realize that this notion of a deferred retirement benefit varies considerably from current military personnel practices. Nonetheless, we offer these estimates as an illustration of the large financial consequences of differences between military and civil service retirement provisions.

Except for the annuity deferment, the calculations for figure 5 are based upon the same assumptions as those used in table 1. Chief among these assumptions is the use of Basic Military Compensation as the equivalent to the civil service salary for calculation of the retirement benefit.

Under civil service rules applicable to general employees, military lifetime retirement earnings would be reduced dramatically--about 60 percent for retirees with 20 years of service, about 40 percent for officer retirees with 30 years of service, and about 50 percent for enlisted retirees with 30 years of service. Because enlisted persons retire at younger ages than officers, reductions in estimated lifetime retirement earnings are greater for them than for officer personnel.

The civil service retirement systems
for protective services personnel and
air traffic controllers

While such lifetime earning disparities could exist for military retirees subject to civil service retirement rules, there would be almost no reduction in lifetime earnings for military retirees subject to the special rules for select civil servants in occupations which are considered highly demanding.

For example, two special plans--one for protective services (law enforcement officers and fire fighters) personnel; the other for air traffic controllers--both permit retirement with immediate annuities at age 50 if 20 years of service have been completed. (See appendix II, p. 1.) An air traffic controller may retire at any age if he or she has completed 25 years of service. The average retirement age of protective services personnel is 53 and of air traffic controllers 52.5. The average age of all military retirees is 42.5.

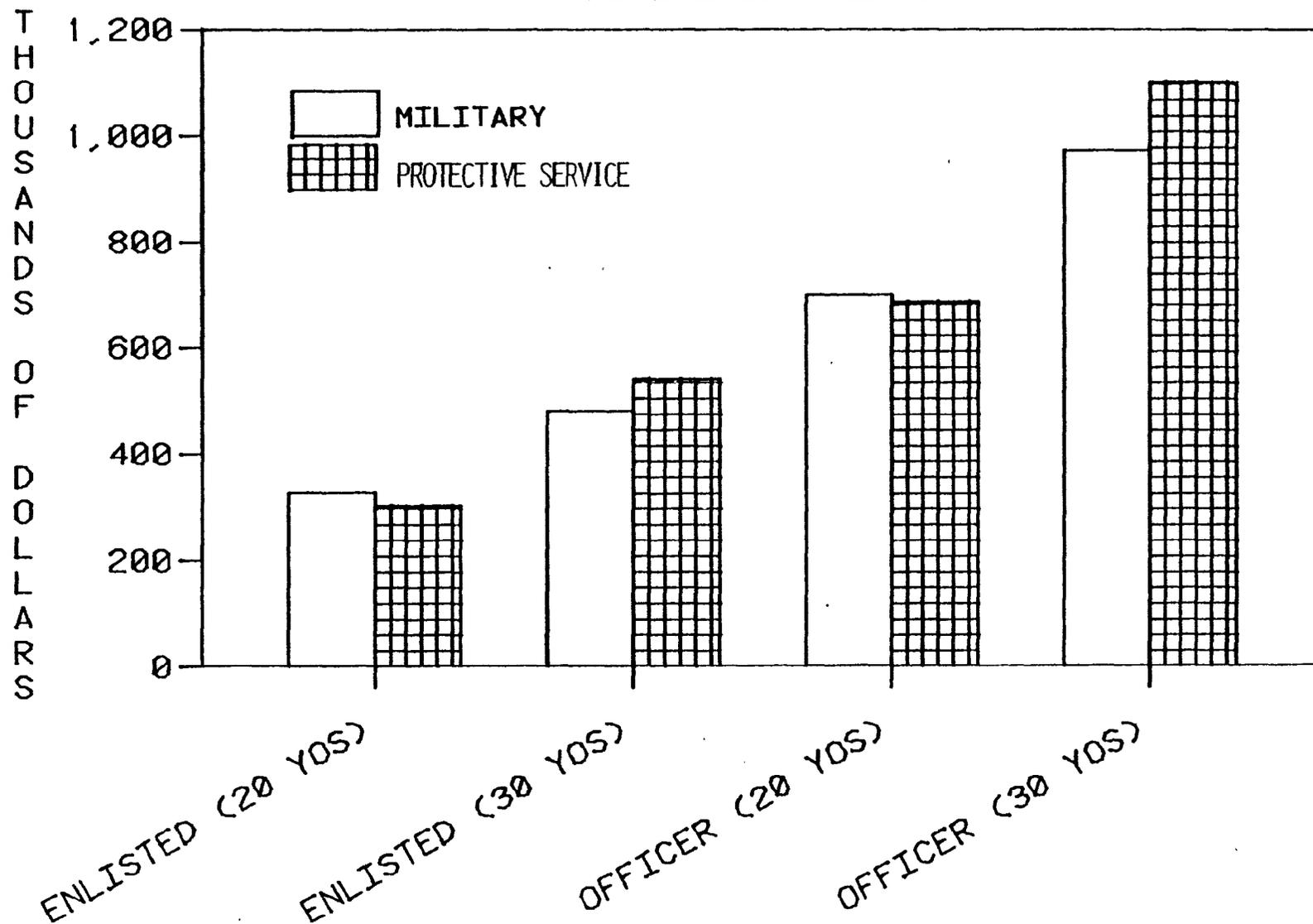
Although their benefit formulas differ, both special plans provide a benefit of 50 percent--or 2.5 percent per year--of the high-3 average salary for 20-year retirees. After 20 years of service, however, practices differ. For the protective services personnel who stay beyond 20 years, their retirement multipliers are increased by only 2 percent a year, rather than the 2-1/2 percent earned during their first 20 years of service. In the case of air traffic controllers, the reduction in the rate of earning retirement multipliers is more dramatic. Air traffic controllers receive the same benefit multipliers as general civil servants, except that their minimum benefit percentage is 50 percent. Thus, air traffic controllers retiring at 20 years of service receive 50 percent of the average of their highest 3-years salary rather than the 36.25 percent general civil servants would receive. For such personnel who stay beyond 20

years, no additional multipliers are earned until they have completed 27 years of service. In effect, withholding the earnings of multipliers for the 21st through the 27th year of service restores long-service controllers to parity with other civil servants, while the provisions allowing controllers to retire with 50 percent after 20 years of service provides an incentive for controllers to leave the system at that time.

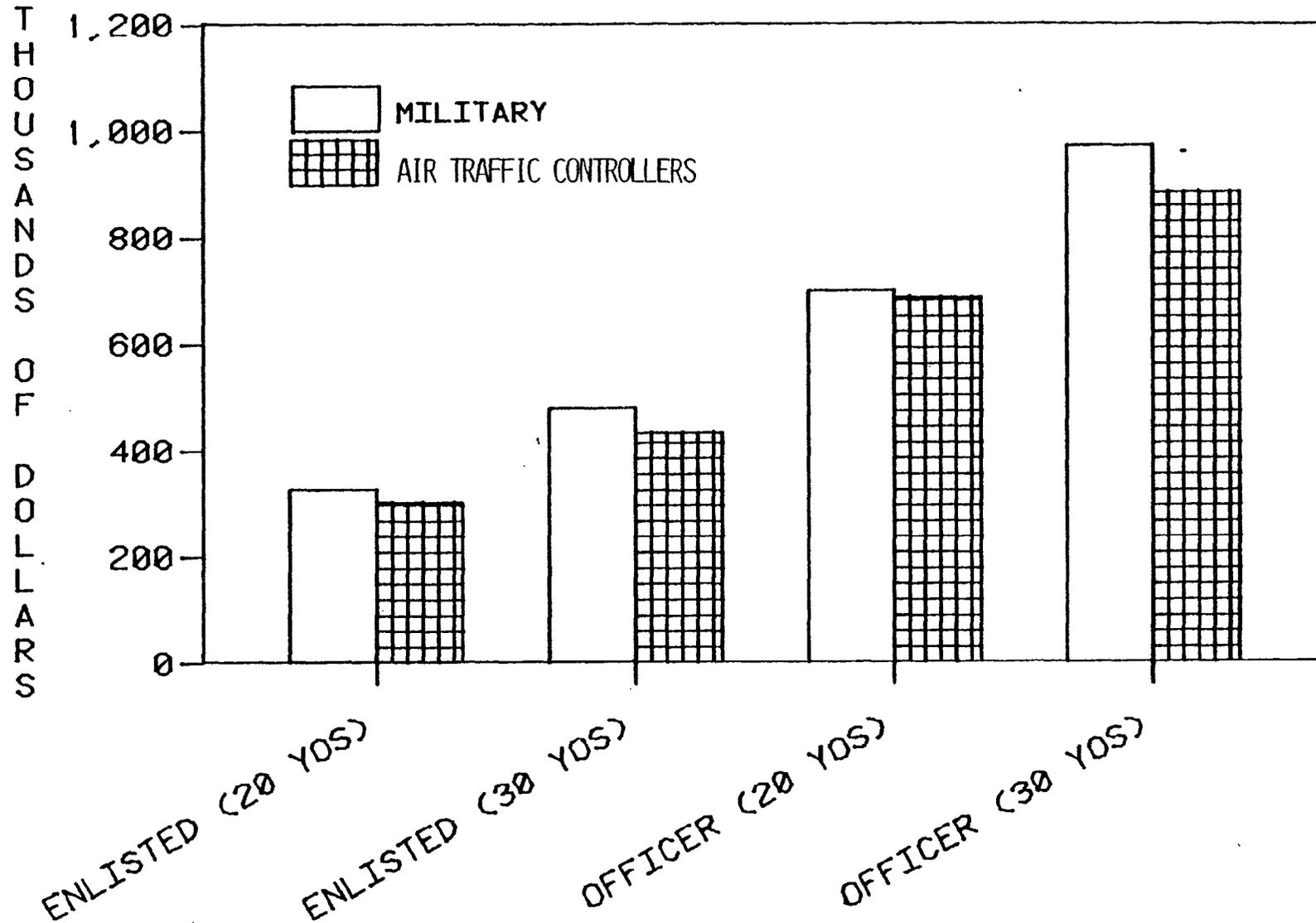
As seen in figures 6 and 7, the lifetime retirement earnings of military personnel retiring under the provisions of the protective services or air traffic controller's special plans would approximately equal those received under the military retirement system. (This lifetime retirement earnings estimate assumes Basic Military Compensation is an appropriate earnings base for benefit calculations.) While the lifetime earnings for 20-year retirees in both civilian special plans would be slightly less than those received from the military system, the lifetime earnings for 30-year military retirees under the protective services plan would exceed those from the current military system. At the same time, however, the lifetime retirement earnings for 30-year retirees under the air traffic controllers' plan would be less than currently received.

Because the lifetime retirement earnings for the three groups are so similar, the chief distinction between the military system and the plans for protective services personnel and air traffic controllers is the contribution rate. Protective

COMPARISON OF LIFETIME RETIREMENT EARNINGS
 BETWEEN MILITARY AND FEDERAL PROTECTIVE SERVICE EMPLOYEES
 RETIREMENT PLANS



COMPARISON OF LIFETIME RETIREMENT EARNINGS BETWEEN MILITARY AND AIR TRAFFIC CONTROLLERS RETIREMENT PLANS



services personnel must contribute 7.5 percent and air traffic controllers must contribute 7 percent of their salaries; as we have discussed earlier, military personnel are not required to make contributions.

The Foreign Service Retirement System

The U.S. Foreign Service Retirement System provides greater benefits than those received by the majority of civil servants, but not quite as great as those for military personnel, protective services personnel, and air traffic controllers. Foreign service personnel are eligible for retirement if they are age 50 or above, after 20 years of service. Nonetheless, the average foreign service retirement age is 56.5 years.

The benefit percentage in this system is 2 percent of the high-3 average salary for each year of service. Thus, the 20-year retiree would receive a retirement income equal to 40 percent of his or her high-3 average salary. The maximum benefit percentage is 70 percent. In most other respects, the foreign service system is similar to the general civil service system: contributions are 7 percent of salary, deferred annuities at age 60 are available after 5 years of service, retired pay levels are adjusted annually according to CPI changes, and retirees under age 62 are subject to the temporary restrictions on COLAs. (See appendix II, pp. 2 and 3.)

For the foreign service system, the choice of an appropriate earnings base for retirement benefit calculations is difficult. While assigned in the U.S., foreign service personnel receive a straight salary. While assigned overseas, this salary is supplemented by allowances. Because of the dual nature of the foreign service pay system, we present two comparisons in figures 8 and 9 the first using Basic Military Compensation as the earnings base; the second using military basic pay as the earnings base.

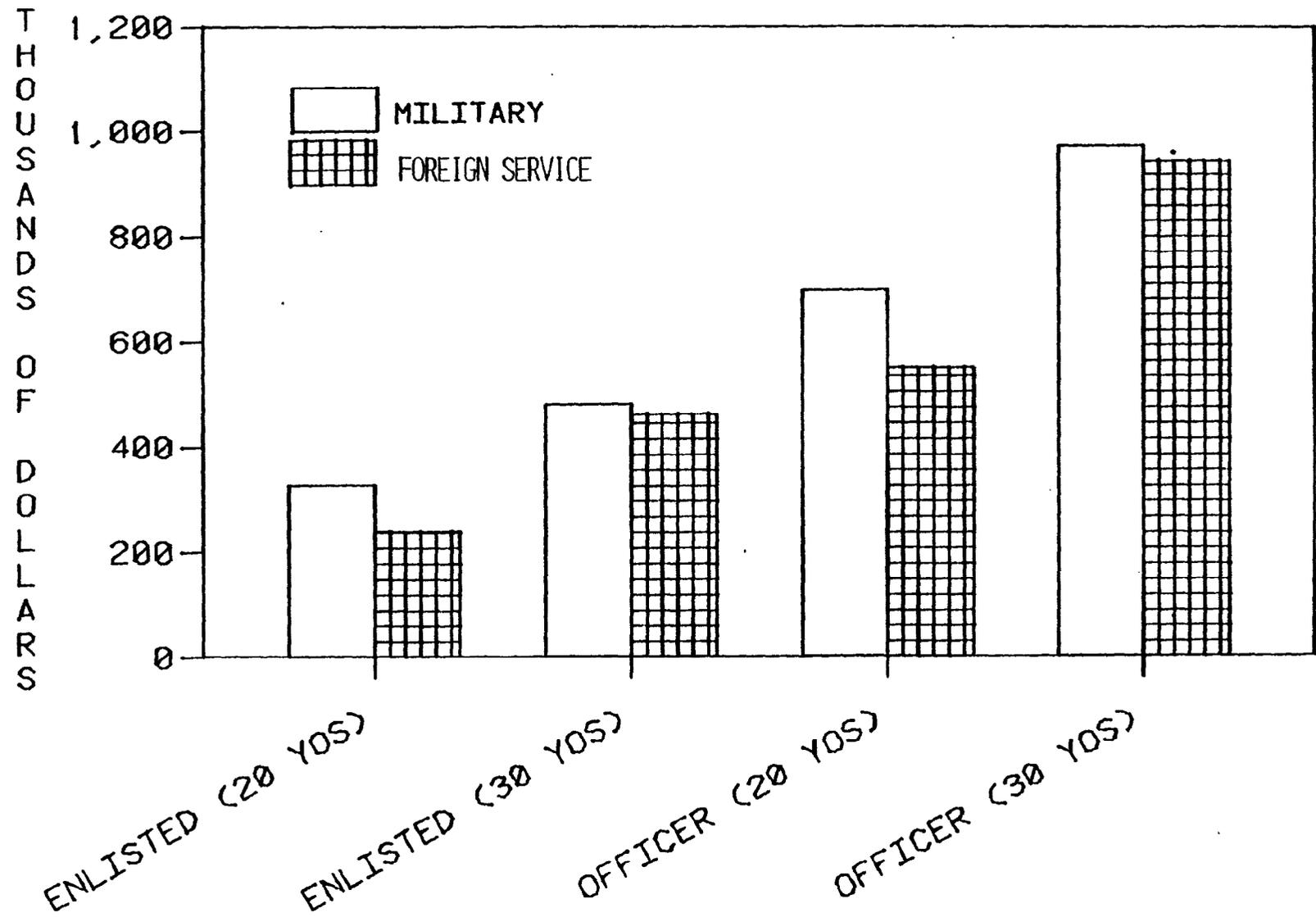
As shown in figure 8, if military personnel were to retire under the foreign service system and assuming Basic Military Compensation is the appropriate earnings base, the lifetime retirement earnings of 20-year retirees would be reduced about 20 percent. However, the lifetime retirement earnings of 30-year retirees under the same circumstances would be virtually unchanged.

Lifetime retirement earnings reductions are even greater if military basic pay is assumed to be the appropriate earnings base (see figure 9). For 20-year retirees, lifetime retirement earnings would be reduced more than 35 percent. Lifetime retirement earnings for 30-year retirees would be reduced about 20 percent.

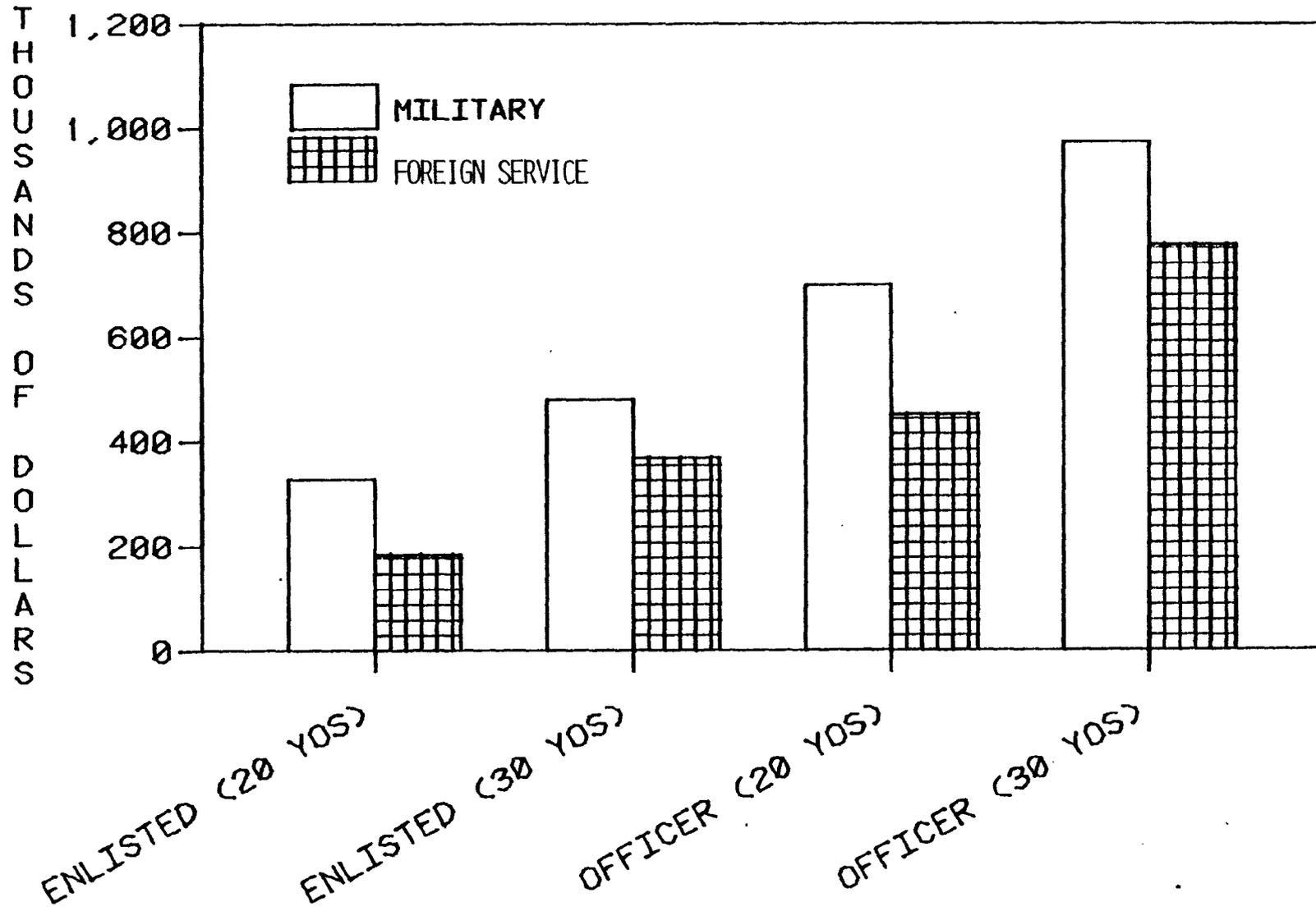
Summary

There are both similarities and differences between the U.S. military retirement system and those other Federal special plans and systems we examined.

COMPARISON OF LIFETIME RETIREMENT EARNINGS
 BETWEEN MILITARY AND FOREIGN SERVICE OFFICERS (SALARY CASE)
 RETIREMENT PLANS



COMPARISON OF LIFETIME RETIREMENT EARNINGS
BETWEEN MILITARY AND FOREIGN SERVICE OFFICERS (BASE PAY CASE)
RETIREMENT PLANS



In terms of similarities, all the plans and systems we examined, except for the provisions guiding retirement for regular civil servants, have provisions for 20-year retirements at ages less than 60, and most would provide nearly equal lifetime retirement earnings. Further, under all the examined special plans and systems, there are provisions for yearly COLAs to retirement benefits, linked to changes in the CPI.

In terms of differences, however, the military system offers more distinct advantages. Military members can retire at earlier ages than under any of the other special plans and systems; their basis for pension calculation (terminal pay rather than high-3) is better; they receive higher multipliers (2-1/2 percent/per year) for service beyond 20 years; and, primarily, they are not required to make contributions to their retirement funds.

In sum, then, while the provisions for protective services personnel and air traffic controllers are the most similar to the provisions for military personnel, the military retirement system in total is more advantageous.

COMPARISON OF THE U.S. MILITARY
RETIREMENT SYSTEM WITH THOSE OF
STATES AND LOCAL GOVERNMENTS

A comparison of the military retirement system with those for State and locally-employed law enforcement officers and firefighters also provides useful insights concerning the relative generosity of the military system. As a basis for this comparison, we have examined the retirement systems operating in five States and three large U.S. cities, selected on the basis of the availability of data rather than a statistically rigorous design. Thus, while our comparisons are not generalizable to all States or cities as a class, they nonetheless illustrate the existence of major disparities.

A general comparison between systems

In the interest of time, I will not recite the detailed retirement provisions of each of the five States and three cities we reviewed. Appendices III (State Plans) and IV (Local Plans) provide a full listing of these specifics.

Instead, my discussion of disparities between the military and State/local government systems will be presented in the context of a composite retirement system for State and local protective services personnel, based on our assessment of the eight systems examined.

A composite retirement plan for such State or locally-employed personnel would permit retirement with an immediate annuity at age 50 after 20 years of service. The retirement annuity would be calculated on the basis of 2 percent for each year of service and the average of the three highest salaried years. In other words, such personnel could retire with 20 years of service on an annuity equal to 40 percent of their average pay for their three highest salaried years. The maximum benefit payable would be 65 percent. Participants would receive a vested benefit after 10 years of service, and benefits would not be integrated with any social security benefits which might be earned. While retired pay adjustments for State and municipal systems are frequently less than the full CPI, for our composite we assumed that COLAs would be linked to the CPI. Also, employers would contribute 8 percent of their salary to the retirement plan.

Comparison of lifetime retirement earnings

Would members retiring under provisions of the U.S. military retirement system increase their expected lifetime earnings over what they would receive under the composite system for State and local protective services personnel?

A comparison reveals that the benefits received under the military retirement system would be substantially greater. For example, the expected lifetime retirement earnings of an

about 27 percent less than would be received under the military system. A similar comparison for the officer retiree with 20 years of service shows the composite system would pay about 21 percent fewer retirement dollars over the retiree's lifetime. Decreases in lifetime earnings for retirees with 30 years of service, however, would be much smaller.

Whereas this comparison provides a general guideline for system differences, an examination of the eight specific systems provides greater details of lifetime earnings disparities. Figures 10 through 13, which illustrate the magnitude of the lifetime earnings differentials, assume military retirement occurs under the provisions of the various State and local protective services plans listed. They also assume that Basic Military Compensation is the equivalent of a civilian salary and is used as the earnings base in the retirement benefit formula. As was the case previously, where a system applies a minimum age restriction to retirement eligibility, we have assumed the military member retires at the same age as under the current military system but does not begin receiving annuities until the minimum age level is reached.

COMPARISON OF LIFETIME RETIREMENT EARNINGS
 FOR ENLISTED PERSONS WITH 20 YEARS OF SERVICE
 UNDER VARIOUS STATE AND LOCAL RETIREMENT PLANS

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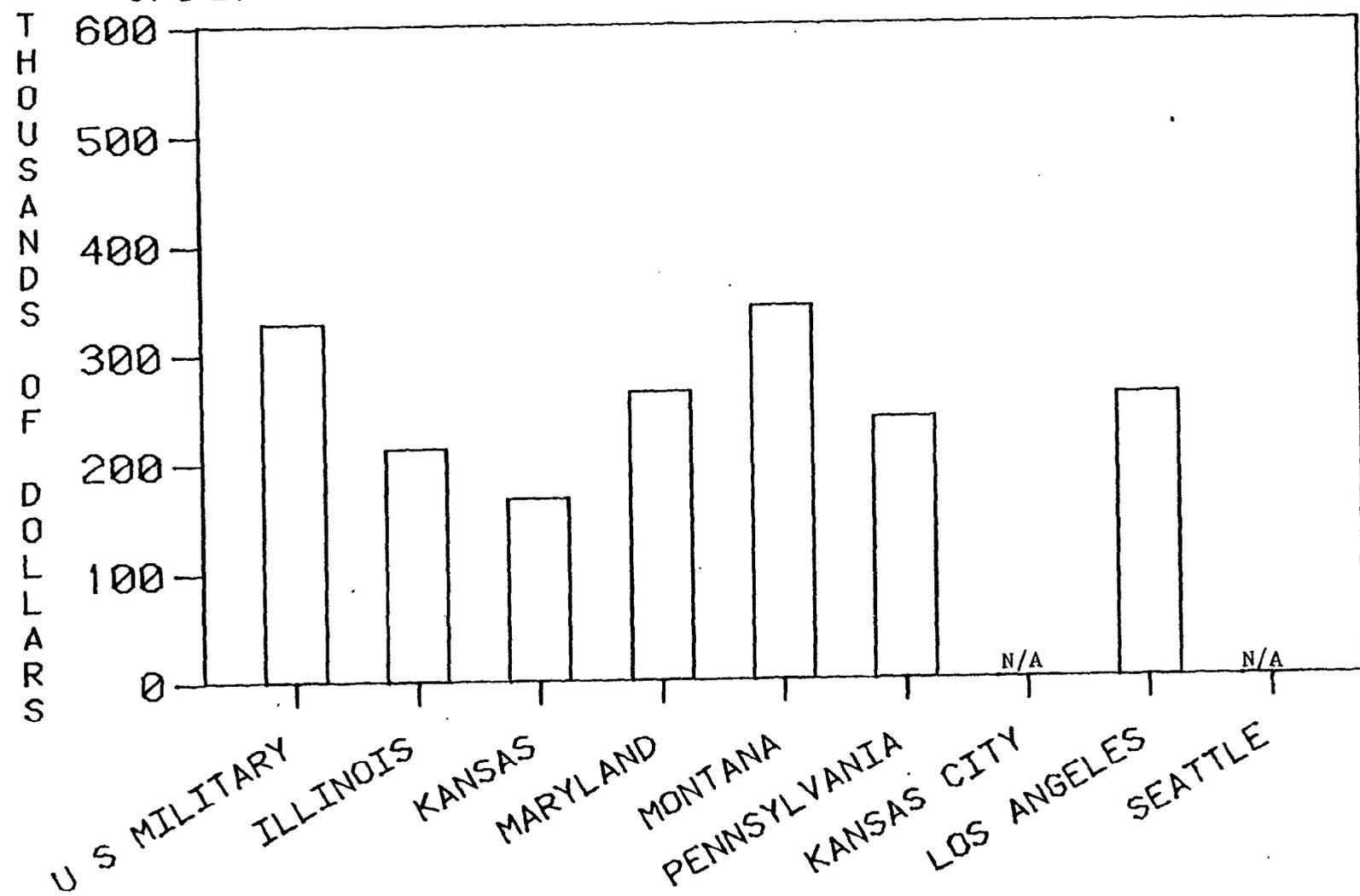
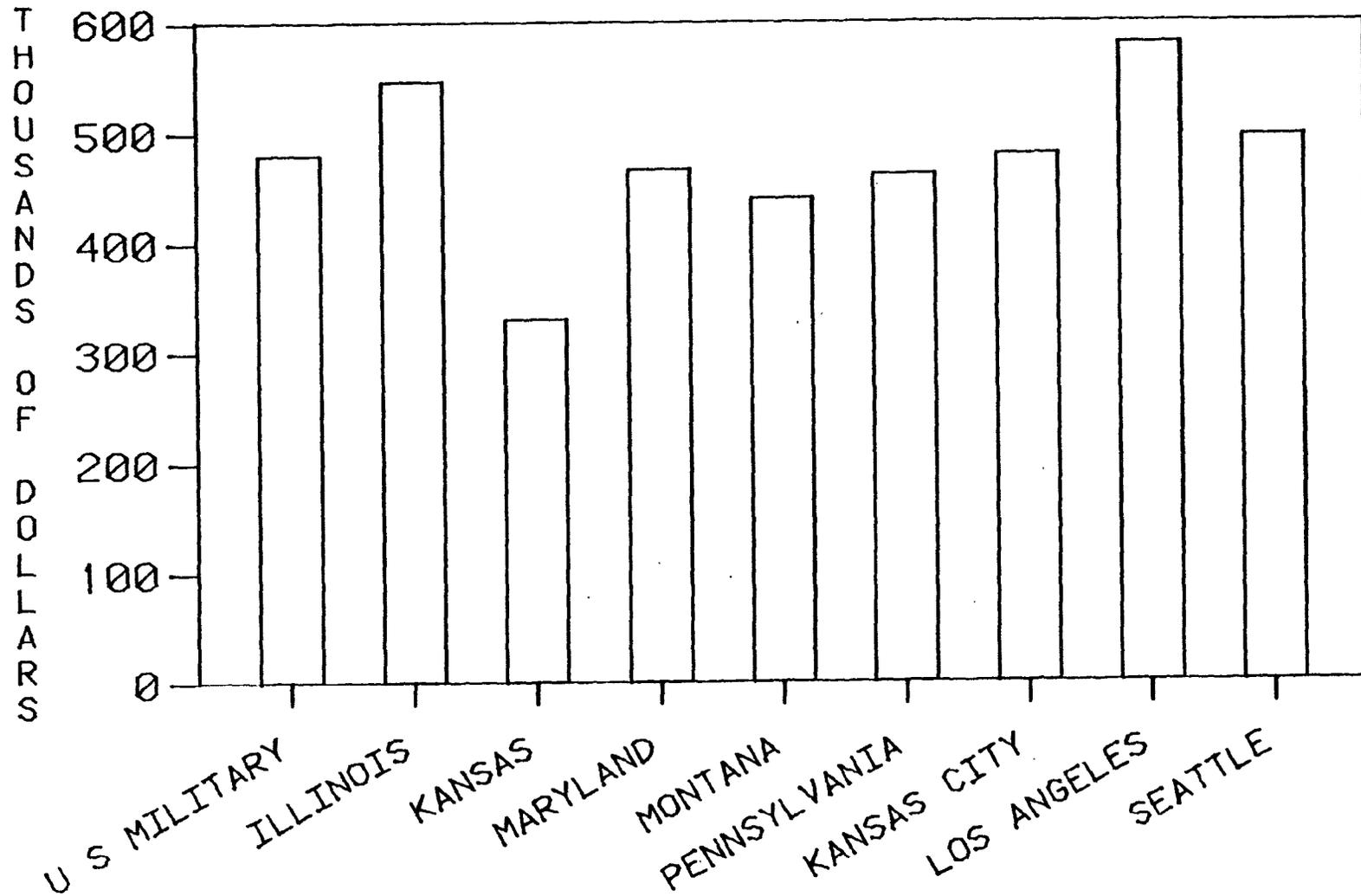


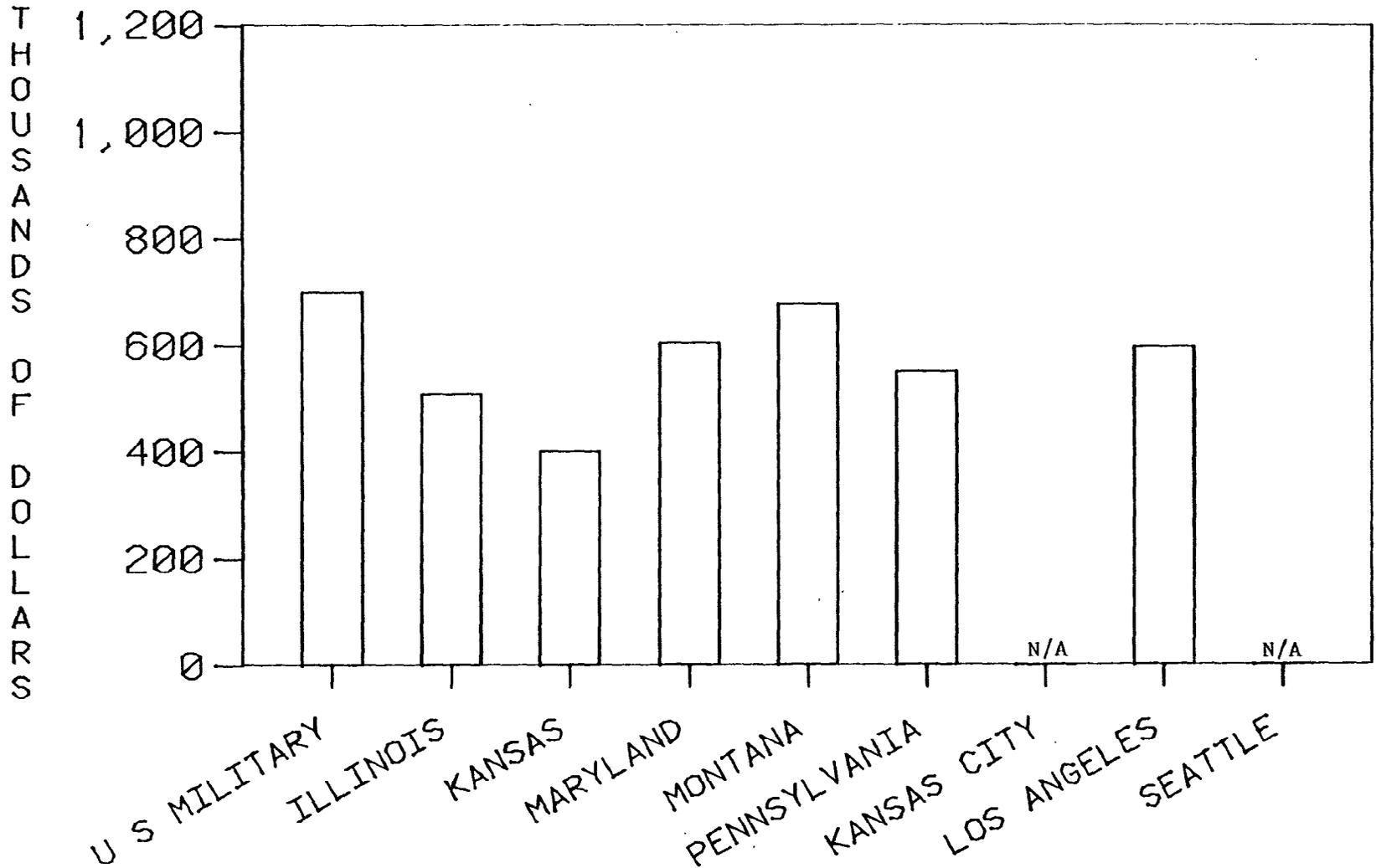
Figure 10

N/A: Retirement at 20 years of service is not permitted in these systems.

COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR ENLISTED PERSONS WITH 30 YEARS OF SERVICE
UNDER VARIOUS STATE AND LOCAL RETIREMENT PLANS



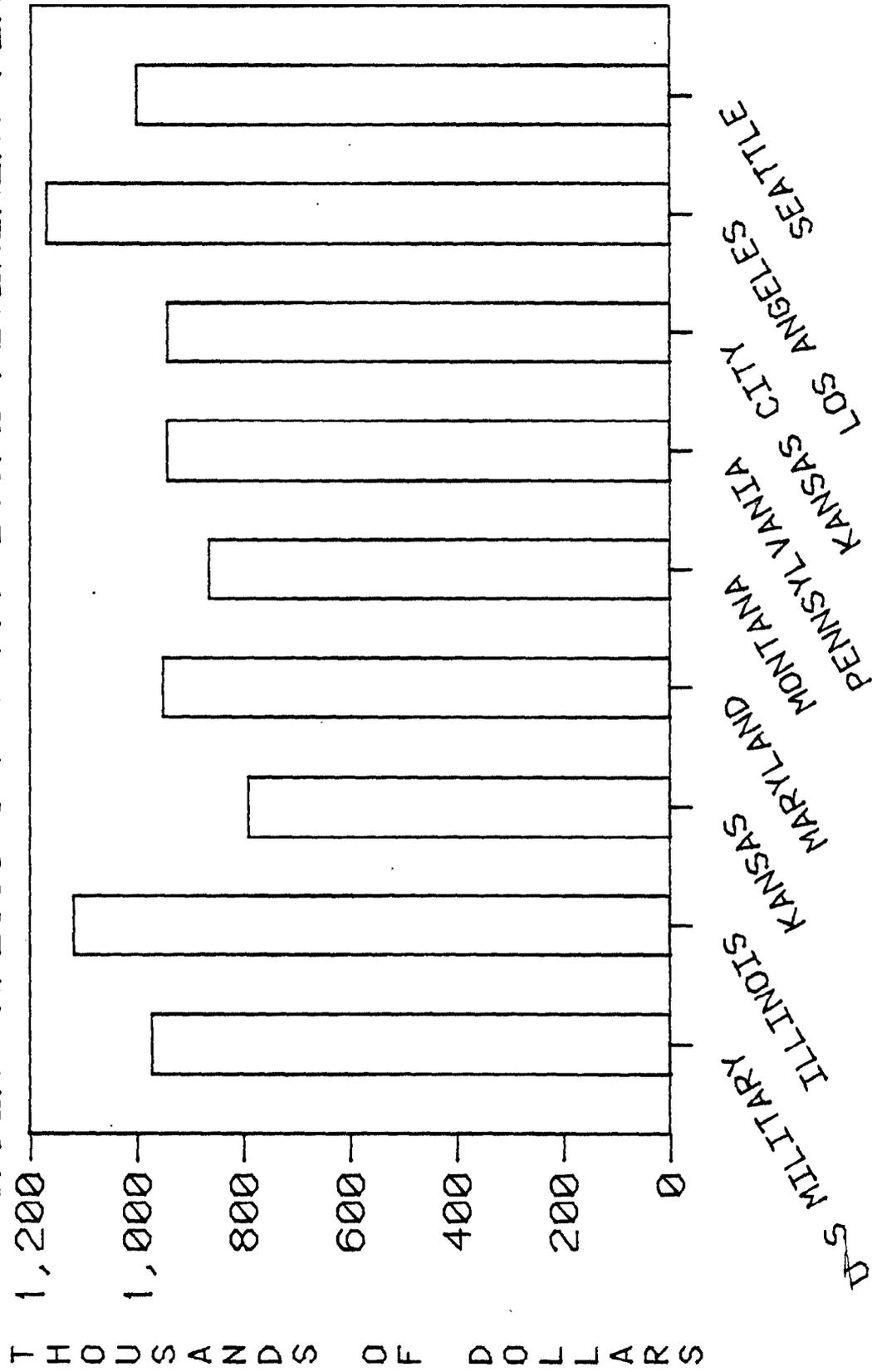
COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR OFFICERS WITH 20 YEARS OF SERVICE
UNDER VARIOUS STATE AND LOCAL RETIREMENT PLANS



N/A: Retirement at 20 years of service is not permitted in these systems.

Figure 13

COMPARISON OF LIFETIME RETIREMENT EARNINGS
FOR OFFICERS WITH 30 YEARS OF SERVICE
UNDER VARIOUS STATE AND LOCAL RETIREMENT PLANS



The largest difference between expected lifetime earnings computed using the current military system and the alternative protective services plans occurs for retirees with 20 years of service. Of the eight systems examined, only one--that for Montana highway patrolmen in the case of enlisted retirees only--would pay lifetime earnings above those of the military system. Two of these systems do not even permit retirement at 20 years of service. However, after 30 years of service, most of these plans pay lifetime retirement benefits which are comparable to those received under the current military retirement formula. Only one of these plans--that for Kansas protective services personnel--would pay lifetime retirement earnings for 30-year military retirees appreciably less than received under the current military formula.

Summary

A comparison of military retirement provisions with the retirement provisions for select State and locally-employed law enforcement officers and firefighters highlights certain similarities and differences. For example:

- Military personnel and most protective services personnel can retire after 20 years of service.
- But most of the protective services personnel cannot retire until age 50, as compared to military members who can retire without any age limitation.
- The average retirement ages of protective services personnel in these systems were between 50 and 55 as compared to the average military retiree's age of 42.5.

- ° Most of the benefit formulas we reviewed provided an annuity of 40 percent of the high-3 average salary after 20 years of service as compared to the military's formula which pays 50 percent of final base pay.
- ° All but one of the systems we reviewed were contributory as compared to the noncontributory military system.
- ° In contrast to most of the State and local systems examined, the military system provides greater lifetime earnings.

In sum, then, although the State and local systems in aggregate appear to be more similar to the military system than the other Federal special plans or systems examined, the military system still appears to be the most beneficial for participants.

CONCLUDING REMARKS

As we all realize, the military retirement system has been studied, examined, analyzed, and criticized over the past decade and a half by a multitude of groups, committees, and commissions. And, the system is once again being examined in depth by the Fifth Quadrennial Review of Military Compensation. Further, numerous reform proposals have been made, including one of your own, Mr. Chairman, and several have been introduced as legislation.

Much of this attention given to military retirement has come about because of the magnitude of retired pay costs. Twenty years ago, in 1964, retired pay outlays amounted to \$1.2

billion--about 2 percent of the Defense budget--whereas in 1984, outlays are projected to be \$16.8 billion--about 6 percent of the Defense budget.

In our view, these previous attempts at military retirement reform have failed, in part, because:

1. Prior to beginning these efforts, all parties concerned--i.e., the military services, top civilian Defense officials, the Office of Management and Budget, and the Congress--have not agreed on what the controlling objectives of the military retirement system should be and what fundamental compensation principles should guide the work of the study groups. (This is not to say that the the study groups were not guided by specific objectives, but rather that all parties affected had not bought into the specific objectives or principles adopted by the study group.)
2. These efforts have concentrated on only one element of the total life-cycle cost of military manpower, i.e. retired pay, and usually have focused only on the growth in outlays rather than on accrued costs.

Most people, both critics and defenders of the current system, seem to agree on at least one point; that is, that the framework of the retirement system should be structured to accomplish specific objectives. Critics and defenders begin to

part company, however, on the question of which objectives of the military retirement system should be controlling. Some critics of the present system assert that the primary or controlling objective of the nondisability retirement system should be the care of those who, because of age, are no longer capable of performing military duties. Defenders of the current structure contend that the system is not, and should not be, primarily an old age pension program, but rather that the retirement system should serve as a force management tool.

If the primary and overriding objective of the retirement system is to forward military force management, as most DOD officials maintain, then the first judgment to be made in structuring a retirement system has to do with the shape of the objective force profile that will best help the military achieve its mission.

Some critics of the current retirement system structure agree that the force management objective is a consideration, but contend that whatever force profile or career retention patterns the services want can be achieved more effectively and at less total cost by using other components of the compensation package which are, first, less rigid and, second, perceived by many members to be more valuable than future retired pay.

The information which we have presented today suggests that many retirement system structures are being used for work forces not terribly different from the U.S. military. That the current

military retirement system is more expensive than most of these, as we believe to be the case, is not necessarily evidence that it should be changed. Rather, change should occur only if the differences observed do not foster the controlling objectives which you identify for the system to fulfill or if the change is shown to be the least costly alternate--in terms of both life-cycle and accrued costs--for achieving these goals.

COMPARISON OF MILITARY RETIREMENT SYSTEMS IN THE
UNITED STATES AND SEVEN OTHER COUNTRIES

	<u>UNITED STATES</u>	<u>AUSTRALIA</u>	<u>CANADA</u>	<u>FRANCE</u>	<u>ISRAEL</u>	<u>SOVIET UNION</u>	<u>UNITED KINGDOM</u>	<u>WEST GERMANY</u>
<u>Overview</u>								
Country Population	226,000,000	15,000,000	24,300,000	54,200,000	3,900,000	268,800,000	55,870,000	61,700,000
Active Duty Size	2,103,612	72,000	83,000	577,884	181,500	5,285,000 <u>a/</u>	327,900	495,000
Active Duty as Percent of Population	.9%	.4%	.3%	1.1%	5%	2%	.6%	.8%
Careerists as Percent of Active Force	50%	90%	95%	55%	19%	20-25% <u>b/</u>	100%	13%
Ready Reserve Size	1,358,880	34,500	22,000	323,500	340,000	9,567,000 <u>c/</u>	195,800	240,000
Retired Pay as Percent of Defense Budget	7.1(1982) 6.7(1983)	5.7%	6.7%	16.1%	not available	3-4%	4.9%	9%
Defense Budget as Percent of GNP	6.9%	2.8% (1983)	1.9% (1981)	4.2%	32.9% (1981)	14-16%	5% (1981)	4.3%
Pay System	Pay and Allowances	Salary	Salary	Pay and Allowances	Pay and Allowances	Salary <u>d/</u>	Salary	Pay and Allowances
Military System	All-Volunteer	All-Volunteer	All-Volunteer	Conscript	Conscript	Conscript	All-Volunteer	Conscript

a/includes military security forces of the MD and KGB.

b/includes commissioned officers, career warrant officers and NCOs.

c/Estimated total conscripts released into the active reserves in past 5 years and subject to immediate recall.

d/Pay is based on rank, position, and duty station.

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<u>Non-Disability Retirement</u> Minimum Years of Service (YOS)/Age for Annuity								
Officer	20 YOS/no minimum age	20 YOS/no minimum age	20 YOS/no minimum age	25 YOS/age 45 Retirement between 10 and 20 YOS by permission of Defense Ministry; annuity deferred to age 60.	a. 20 YOS with special permission from the Chief of Staff, b. 25 years of career service, c. age 55 and 25 YOS, including 10 years of career service, d. age 60 and 10 years of service, e. members discharged at age 40 or above with 10 years of career service in addition to 3 years conscriptive time.	25 YOS ^a /age 46-48 or 20 YOS/age 40; if discharged because of reduction in force, illness or poor health. If under age 50 receives 30 percent of pay and if over age 50 receives 40 percent.	16 YOS/age 38	Only personnel with lifetime career service contracts retire. Long-term volunteers who have not acquired career status must leave service by age 40. Minimum eligibility requirements for career personnel are: Gen - age 60/10 YOS O-6 - age 58/10 YOS O-5 - age 56/10 YOS O-4 - age 54/10 YOS O-3 - age 52/10 YOS

^a/25 year of credible service-specific types of assignments accelerate longevity for each year of service.

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Enlisted	20 YOS/no minimum age	20 YOS/no minimum age	20 YOS/no minimum age	15 YOS/including civil service time, no minimum age; eligible for immediate reduced annuity.	Same as above.	Same as above.	22 YOS/any age	Career status: 10 YOS/age 50
YOS required for full annuity								
Officer	30 YOS	0-8 up - 20 YOS/age 55 0-7 - 20 YOS/age 52 0-6 - 20 YOS/age 50 0-5 - 20 YOS/age 45 0-1 to 0-4 - 20 YOS/age 42 Note: May retire with 20 YOS below minimum retirement age with immediate annuity, but annuity reduced by 3 percent for each year below minimum age.	0-6 - 30 YOS/age 55 0-5 - 28 YOS/age 51 0-4 - 28 YOS/age 47 0-3 - 28 YOS/age 45	25 YOS	Same as minimum requirements described above.	Varies with duties held but typically 25 YOS is the average time required.	16 YOS from age 21	35 YOS
Enlisted	30 YOS	20 YOS	Sgt. and above-30 YOS/age 50 Corporal and below-25 YOS/age 44	15 YOS		Same as above	22 YOS from age 18	35 YOS

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Mandatory Retirement								
Officers	<p>0-10, 0-9 - Age 62 normal; maximum 64</p> <p>0-8 - 5 years in grade or 35 YOS, whichever later</p> <p>0-7 - 5 years in grade or 30 YOS, whichever later</p> <p>0-6 - 30 YOS</p> <p>0-5 - 28 YOS</p> <p>0-4 - Twice fall promotion or retained to 20 YOS if within 2 years of eligibility; maximum 24 YOS</p> <p>0-3 - Twice fall promotion or retained to 20 YOS if within 2 years of eligibility; maximum 20 YOS</p> <p>0-2 - Twice fall promotion or retained to 20 YOS if within 2 years eligibility</p>	<p>0-9 - age 65</p> <p>0-6 - age 55</p> <p>0-5 - age 50</p> <p>0-1 to 0-4 age 47</p>	<p>If entered before April 1976:</p> <p>Col. - age 55</p> <p>LTC - age 51</p> <p>Major - age 47</p> <p>Lt. & Capt. - age 45</p> <p>If enter after April 1976 or if selects new plan, all members screened at 20 YOS or 40 years of age. Those selected in at screening point must retire at age 55.</p>	<p>0-1,2,3 - age 52</p> <p>0-4 - age 54</p> <p>0-5 - age 56</p> <p>0-6 - age 57</p> <p>0-7 - age 58</p> <p>0-8,9 - age 60</p> <p>0-10 - age 61 or 62 (for Army personnel only; age varies by service.)</p>	<p>Law does not require retirement at a maximum age.</p>	<p>Jr. Lt. to Capt. - age 40</p> <p>Major to Lt. Col. - age 45</p> <p>Col. - age 50</p> <p>Lt. Gen., Vice Adm. - age 55</p> <p>Col. Gen., Adm. - age 60 ^{a/}</p>	<p>Army, Marines, and Air Force; age 55. (Must make Major within 16 years or is forced to retire.)</p> <p>Navy:</p> <p>Capt., age 55 or 9 years in grade, whichever ever sooner</p> <p>CDR., age 53</p> <p>Lt. Cdr., age 48</p>	<p>Same as minimum age requirements.</p> <p>Gen. - age 60</p> <p>0-6 - age 58</p> <p>0-5 - age 56</p> <p>0-4 - age 54</p> <p>0-3 - age 52</p>

^{a/}Maximum permissible age in grade for active duty, not retirement. An additional 5 years of active duty may be permitted under regulations issued by the Council of Ministers.

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Enlisted	No statutory involuntary retirement, but policy age limit is 62.	Age 55	Sgt. and above, age 50, Corporal and below, age 44.	Sgt. - age 47 Sgt. Major - age 55 Non NCO Enlisted - age 50 (Above ages are for Army, Navy and Air Force different)	Law does not require retirement at a maximum age.	Not Available	Normally after 22 YOS.	Age 53
Average Age at Retirement								
Officer	46 (mode=43)	44	50	56	45	50 - 55 (est.)	Not Available	57
Enlisted	42 (mode=39)	42	50	45 to 50	50 to 55	50 (est.)	Not Available	53

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Calculation Formula	2 1/2 percent of basic pay for each YOS, i.e., 50 percent of basic pay for 20 YOS subject to a maximum of 75 percent of basic pay for 30 or more years of service. (This is equivalent to an average of 39 to 55 percent of Basic Military Compensation, defined as basic pay, basic allowances for quarters and subsistence, and the tax advantage accruing from non-taxable allowances.)	Retired pay as a percent of pay	2 percent of base pay multiplied by YOS. Not to exceed 70 percent of base pay.	Retirement based on level, length, and nature of service. Servicemembers accrue "liquid annuities" for years of service and nature of duty. These are reimbursed at the rate of 2 percent of base pay to a maximum of 40 "annuities"—i.e., 80 percent of base pay. Pensions 10 percent higher for those who raised at least three children.	2 percent base pay multiplied by YOS not to exceed 76 percent of base pay. (3 percent of base pay for hazardous duty.)	50 percent salary for 25 YOS plus 3 percent for each additional year not to exceed 75 percent of base pay.	Officers; 50 percent active duty salary for high 2 YOS. This salary includes base pay and all other allowances, e.g., housing. Enlisted; 33 percent of active duty salary for highest grade held.	Percent of YOS Base Pay 10 - 35 percent 20 - 55 percent 30 - 70 percent 35 - 75 percent (Maximum)
		YOS						
		20	35.00					
		21	36.50					
		22	38.00					
		23	39.50					
		24	41.00					
		25	42.50					
		26	44.00					
		27	45.75					
		28	47.50					
		29	49.25					
		30	51.25					
		31	53.25					
		32	55.50					
		33	57.75					
		34	60.25					
		35	62.75					
		36	65.25					
		37	67.75					
		38	70.50					
		39	73.50					
		40	76.50					
		Officer benefits reduced by 3 percent for each year below minimum retirement age.						

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Calculation base	For those entering the service before 9/8/80, basic pay equals terminal pay. For those entering after 9/8/80, basic pay equals the average of the high 3 years of service.	Calculation base is maximum salary for grade on date of termination regardless of YOS.	Calculation base is an average of 6 best consecutive years' salary.	The pay rate used is the highest pay held for last 6 months before retirement.	Terminal basic pay in effect when member retires.	Calculated based on terminal pay.	Calculation base is average salary for highest rank held for 2 years.	Calculation base is final and duty station allowance.
Lump Sum	None	May commute up to four times annual pension to lump sum payment; lump sum taxed at 30 percent. Pension reduced accordingly.	Severance pay of 7 days salary for each YOS to 210 days.	None	May commute 25 percent of life expectancy value. (Tax free.)	None	Terminal grant of three times annual pension tax free. Additional grant of up to 50 percent of life-time pension may be approved for officers. This reduces regular pension pay. (Other restriction apply for enlisted members.)	Commutation provision available, but rarely used.

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Contributory Retirement System	No	5.5-percent of salary.	7.5 percent of salary.	6 percent of base pay.	No	No	No	No
Vesting	Members become conditionally entitled to retired pay after 20 YOS, subject to recall, various other employment restrictions, and the Uniform Code of Military Justice.	Members become entitled to receive retired pay upon completion of 20 YOS. (15 YOS for late-entry officers, i.e., such as medical personnel.) Subject to recall.	Less than 10 YOS return of contribution; more than 10 YOS, deferred annuity at age 60 or return of contribution. Reduced immediate annuity at 20 YOS, but reduced 5 percent for each year below retirement age for rank.	After 15 YOS for enlisted and 25 YOS for officers.	After 10 years of career service in addition to 3 years of conscriptive service. Subject to recall.	After 25 YOS.	Service members who have at least 5 YOS and have attained age 25 are eligible for "preserved" pension at a reduced rate at age 60.	Vesting at 10 YOS.

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Cost of Living Adjustment for Annuity	Retired pay is adjusted annually on March 1 based on the CPI. However, as a result of PL 97-253, retirees under age 62 on the effective date of the increase for fiscal years 1983, 1984, and 1985, will receive only 1/2 of the projected CPI for those years plus the amount by which the percentage increase in actual CPI exceeds the projected CPI. Those over 62 will receive the full CPI increase.	Adjusted each July on basis of consumer price index.	If retiree is at least age 55, and if combined age/YOS totals 85, then retired pay adjusted annually on basis of CPI.	Indexed to inflation. Raised with base pay, usually every 3 months.	Indexed to inflation. Retired pay adjusted every 3 to 4 months.	Not Available	No adjustment prior to age 55. At age 55 retired pay adjusted for cumulative inflation rate prior to age 55, and, thereafter, adjusted annually on basis of CPI.	Adjusted along with active pay increases, based on amounts negotiated with union.

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<u>Integration with other government annuities</u>	No, social security is completely additive. However, offset pay provision exists for Federally employed retirees, and retirees receiving VA disability pension.	Yes, military pension is offset by Australian social insurance system.	Yes, military pension is offset by Canadian pension plan, when retiree becomes eligible. Retired pay reduced at age 65 by amount received under Canadian pension plan.	Yes, social security pays for maternity expenses, disability pensions, and survivors benefits to survivors of active duty personnel.	No, social security insurance is completely additive at age 65.	Yes, servicemen must choose between military annuity and government pension if eligible for both.	No, social security payments at age 65 are made independent of, and additive to, military pension. Offset does apply to civil employment, however.	No, member receives social security only if he/she is not eligible for military retirement.
<u>Fringe benefits (health PX, and other services)</u>	Commissary, PX, and recreational facilities. Medical care—at service facilities if available and if not available under CHMRS through civilian providers.	Australia has no PX or commissary. Retirees not provided health care at military facilities, but must participate in contributory insurance-type program.	Retirees lose medical and dental benefits. Retirees must switch to a health care plan at their own expense. After age 65 all medical care is free. Retain commissary and exchange privileges, but not a practical benefit since facilities only located in remote areas.	Can use military facilities for PX and recreation.	Health care covered under contributory union health plan.	If servicemen have received high honor, they are entitled to additional pension, living space, medical care, and living expenses.	National health care plan payments are deducted from retirement check.	National health plan for all Germans. Retired must pay own health insurance. West Germany has no PX or commissary system.

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Up-or-out promotion policy	Officers on the basis of law. Enlisted on the basis of reenlistment policy. (See pp. 4 and 5.)	No up-or-out policy per se, but mandatory retirement age varies by rank for officers (see p. 4.).	No up-or-out policy for enlisted beyond 5 YOS. Officers screened at 20 YOS, or age 40.	No up-or-out policy for officers or enlisted per se, but most enlisted do not achieve retirement because enlistment contracts not renewed. However, mandatory retirement age varies by rank (see pp. 4 and 5).	No up-or-out policy per se. Retirement based on performance, but promotion not necessary to remain in the service for a full career.	Yes, for commissioned officers only. Rank at Major and above is determined by billings. Also mandatory retirement age for officers varies by rank. (See p. 4.)	Army, Air Force, and Marines: Must achieve rank of Major by 16 YOS or are forced to retire. Navy: Must be promoted from Lt. Cdr. to Cdr. within 7 years or retire within 9 years in rank of Lt. Cdr.	There is no up-or-out promotion policy. If long term volunteers do not receive career status by age 40 they must leave the service. Once in the career force, mandatory retirement varies by age. (See p. 4.)

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Special benefits (tax advantages, and special loans, and employment advantages)	VA benefits including guaranteed home loans. Hiring and reduction-in-force preference in Federal employment (limited to 0-4 and below).	Pre- or post-retirement vocational training or education, resubsidized loans, low-cost housing loan (eligible after 6 years of service).	None	Ready access to public service employment opportunities, but employment in public service after military is rare.	Nonworking retirees receive tax free pension. Retirees who work for the Government have 80 percent of pension taxed, and those in private employment have 60 percent of pension taxed.	a. Local party and government agencies are obligated to find employment for noncareer retirees within one month of retirement. b. Wide range of educational benefits available. c. Retired officers and career men are guaranteed living space. d. Retired senior officers eligible for special medical care including sanatorium/resort treatment. e. Pensions not taxed.	Supporting resettlement arrangements are available to retirees in order to prepare them for a second career in civilian life.	Long-term volunteers (who are not eligible for retirement) have preference to civil service employment.

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Survivor Benefits	Yes automatic unless retiree elects not to participate. Contributory. Social Security also pays deaths benefits.	Widows of retirees receive 62.5 percent of members retired pay. Dependent children receive smaller percentage.	Supplementary Death Benefit Plan, a contributory plan, provides for tax-free lump sum payment based on pensionable amount. Also, widows entitled to lump-sum death benefit under Canadian Pension Plan and Old Age Security.	Surviving spouse receives the pension payment of the retired servicemember. Death gratuity paid by social security, illness covered by social security, military insurance fund payment in case of service-related death.	Yes Automatic Contributory	Family can receive retiree's pension if death occurs within 3 months, family can still collect if death was service-connected, or if spouse cannot work due to illness or age.	Service-connected death entitles survivor to up to 90 percent of maximum pension for rank regardless of length of service. Survivors of other active or retired receive 50 percent of pension. Survivor benefits are non-contributory.	Survivors receive a pension that varies with member's length of service, grade, and number of minor children. Widow receives 60 percent of member's retired pay, plus 12 percent for each child. This is an automatic, non-contributory survivor benefit plan.
Post-Retirement Restrictions	Subject to: recall, UCMJ, dual compensation civil services pay limitation, and foreign government entity employment restrictions.	Some minor limitations on post-retirement employment.	Encouraged to join reserves. No requirement.	All able bodied men subject to call-up until age 35 for combat and to age 50 for other duties.	Subject to recall up to age 55.	None Known	Subject to recall up to age 55, depending on age at retirement. Recall at individual's option above age 55.	Subject to recall to age 60. Pension reduced, if retiree accepts government employment.

COMPARISON OF MILITARY RETIREMENT SYSTEMS IN THE
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<u>Disability Retirement</u>	<u>UNITED STATES</u>	<u>AUSTRALIA</u>	<u>CANADA</u>	<u>FRANCE</u>	<u>ISRAEL</u>	<u>SOVIET UNION</u>	<u>UNITED KINGDOM</u>	<u>WEST GERMANY</u>
	<p>Yes, for any member incapacitated due to illness or injury incurred in line of duty, up to 75 percent of basic pay. Tax exemptions on a portion of disability retired pay (limited to combat or combat related disabilities). Also covered by Social Security disability.</p>	<p>If under 20 YOS: —60 percent or more disability: 76.5 percent of highest pay for rank. —30 to 59 percent disability: greater of 36.2 percent of highest pay for rank or normal retirement. —below 30 percent: greater of 1 1/2 times contribution or normal retirement. —Cannot commute to lump sum under disability plan. If over 20 YOS can take normal retirement.</p>	<p>Members with 10 or more YOS discharged for medical reasons receive immediate unreduced annuity based on 2 percent of the high-6 years service for each year.</p>	<p>Disabled officers or enlisted members receive up to 100 percent of a Corporal's pay (including officers) subject to review every 3 years.</p>	<p>Eligible prior to 5 YOS for service-connected disability of 35 percent or above. Those discharged for disability after 5 years of career service receive benefits similar to regular retirement.</p>	<p>Dependent on extent and cause of disability and salary at time of injury and sometimes length of service. Applies to careerists and non-careerists. Disability payments may extend to family members.</p>	<p>Dependent on severity of injury.</p>	<p>Disability retirement computed on same basis as regular pension if over 10 YOS, plus a disability payment. If under 10 YOS covered by social security.</p>

COMPARISON OF MILITARY RETIREMENT SYSTEMS IN THE
UNITED STATES AND SEVEN OTHER COUNTRIES

<u>Reserve Retirement</u>	<u>UNITED STATES</u> Yes, if a member has 20 years creditable service with the last eight in a reserve component, he/she is entitled to a retirement annuity at age 60. Reserve retired pay calculated by (1) converting point accumulation to years of service, (2) using the basic pay rate for the member's grade and length of service at the time he becomes entitled to retired pay (age 60), and multiplying that rate by 2.5 percent to a maximum of 75 percent.	<u>AUSTRALIA</u> No	<u>CANADA</u> No	<u>FRANCE</u> No	<u>ISRAEL</u> No	<u>SOVIET UNION</u> No	<u>UNITED KINGDOM</u> No	<u>WEST GERMANY</u> No
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CIVILIAN RETIREMENT COMPARISON
FEDERAL GOVERNMENT

	<u>Civil Service Retirement System</u>			<u>Foreign Service</u>
	<u>General Employees</u>	<u>Hazardous Duty</u>	<u>Air Traffic Controller</u>	
<u>OVERVIEW</u>				
Employees	2,659,993	27,848	13,564	11,410
Retirees	a/ 856,233	18,489	1,259	7,630
Annual Benefit— Fiscal Year 1982	a/ \$11,200,000,000	\$434,650,000	\$27,500,000	\$181,146,000
<u>NONDISABILITY RETIREMENT</u>				
Minimum Age and Years of Service (YOS)	Optional retirement: age 55 and 30 YOS, age 60 and 20 YOS and age 62 and 5 YOS. Involuntary retirement: age 50 and 20 YOS or any age and 25 YOS.	Optional retirement: age 50 with 20 YOS as a law enforcement officer or firefighter. Involuntary retirement: same as for civil service.	Optional retirement: age 50 with 20 YOS as an Air Traffic Controller or any age with 25 YOS as an Air Traffic Controller. Involuntary retirement: same as for civil service.	Optional retirement: age 50 with 20 YOS. <u>Discontinued service</u> Eligibility: All officers and staff failing to be promoted within a prescribed period of years or failing to meet established standards of performance are selected out and receive benefits depending on their class. Senior Foreign Service officers are entitled to an immediate annuity regardless of age or length of service at time selected out. All other tenured officers and staff members are retained in service until age 50 and 20-year requirements for an immediate annuity are met.

a/Excludes involuntary retirees, hazardous duty, air traffic controllers, and disability retirees.

CIVILIAN RETIREMENT COMPARISON
FEDERAL GOVERNMENT

	Civil Service Retirement System			<u>Foreign Service</u>
	<u>General Employees</u>	<u>Hazardous Duty</u>	<u>Air Traffic Controllers</u>	
Mandatory retirement age	None	Age 55 or 20 YOS whichever is later. Age extension to age 60 in special cases.	Age 56 regardless of YOS. Age extension to 61 in some cases.	Age 60 or 65 depending on career level.
Average age at retirement	61.0 for fiscal year 1982 (optional retirees)	53.9 years	52.5 years	56.5 years
Benefit formula	High-3 years average multiplied by the sum of : (1) 1.5 percent X first 5 years of service; (2) 1.75 percent X next 5 years of service; or (3) 2 percent X all years of service over 10. Maximum is 80 percent of high-3 average salary.	High-3 average pay X 2.5 percent X 20 YOS plus 2 percent of high-3 average pay X all service over 20 YOS. Maximum is 80 percent of high-3 average salary.	Pension is calculated as higher of (1) amount produced by civil service formula, or (2) 50 percent of high-3 average salary. Maximum is 80 percent of high-3 average salary.	Two percent of high-3 average salary for each YOS. Maximum is 70 percent of high-3 average salary.
Funding	Employee contribution—7 percent of salary. Agency contribution—7 percent of salary. <u>a/</u>	Employee contribution—7.5 percent of salary. Agency contribution—7.5 percent of salary. <u>a/</u>	Same as for general employees.	Same as for civil service.
Vesting	Deferred annuity is available at age 60 with 5 YOS.	Same as for general employees.	Same as for general employees.	Same as for civil service.

a/In addition, annual Government appropriations and U.S. Treasury transfers are made to the fund.

Civil Service Retirement System

Foreign Service

	<u>General Employees</u>	<u>Hazardous Duty</u>	<u>Air Traffic Controllers</u>	
Cost-of-Living Adjustment Provision	Retired pay is adjusted annually based on the increase in the CPI. (As a result of FL-97-253, retirees under 62 on the effective date of the increase for fiscal year 1983, 1984, and 1985 will receive only 1/2 of the projected CPI for those years plus the amount by which the percentage increase in the actual CPI exceeds the projected CPI. Retirees age 62 or over will receive full actual CPI increases.)	Same as for general employees.	Same as for general employees.	Same as for civil service.
Integration with Social Security or Other Government Pensions	None.	None.	None.	None.
Fringe Benefits	Retirees may continue health and life insurance coverage beyond retirement if they maintain premium payments. Limit for life insurance coverage is age 65. Medicare Benefit credits extended to those retiring after January 1, 1983. Payroll deductions began after January 1, 1983.	Same as for general employees.	Same as for general employees.	Same as for civil service.
Up-or-Out Provisions	None	None	None	Yes—based on performance. (See p. 1—Involuntary retirement.)

CIVILIAN RETIREMENT COMPARISON
FEDERAL GOVERNMENT

	<u>Civil Service Retirement System</u>			<u>Foreign Service</u>
	<u>General Employees</u>	<u>Hazardous Duty</u>	<u>Air Traffic Controllers</u>	
Special Benefits	Severance Payments for Involuntary separation. If not filed for cause, based on length of service and age.	Same as for general employees.	Same as for general employees.	Same as for civil service.
Post-retirement Survivor Protection	Elective--retiree annuity reduction.	Same as for general employees.	Same as for general employees.	Same as for civil service.
<u>DISABILITY RETIREMENT</u>	Same computation as nondisability with a guaranteed minimum of the lesser of 40 percent of high-3 salary and amount under the general formula after increasing actual creditable service by the time remaining between the date of separation and the date of obtaining age 60. A minimum of 5 YOS to qualify is required.	Same as for general employees.	Same as for general employees.	Same as for civil service.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON
STATE SYSTEMS

	<u>KANSAS</u> <u>POLICE AND FIREMEN</u>	<u>MARYLAND</u> <u>STATE POLICE</u>	<u>MONTANA</u> <u>HIGHWAY PATROLMEN</u>	<u>ILLINOIS</u> <u>HAZARDOUS DUTY</u>	<u>PENNSYLVANIA</u> <u>HAZARDOUS DUTY</u>
<u>NONDISABILITY</u> <u>RETIREMENT</u>					
Minimum age and years of service (YOS)	Age 55 and 20 YOS Age 50 and 20 YOS with reduce annuity.	Age 50 or 25 YOS	Any age with 20 YOS	Age 50 with 25 YOS or age 55 with 20 YOS (state police, conservation police, investigators, fire fighter, and certain pilots)	Age 50 with 3 YOS for hazardous professions (i.e., police and enforcement officers).
Mandatory retirement age	State enforcement officers age 60-65 local enforcement officers--none.	None	Age 60	None	None
Average retirement age	55	55.5	55	Not Available	Not Available
Benefit formula	2 percent X average salary of 5 highest YOS X total YOS.	2.2 percent X 3 year average salary X YOS up to 25 YOS. Plus 1.1 percent X 3 year average salary X YOS over 25 YOS.	2 percent X YOS X average of three highest consecutive years salary up to 25 YOS. 1-percent per year thereafter.	Final average compensation of last 4 YOS X: First 10 YOS X 2.25 percent (22.5%) Second 10 YOS X 2.50 percent (25.0 percent) over 20 YOS X 2.75 percent.	2 percent X YOS X average salary for highest 3 YOS.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON
STATE SYSTEMS

	<u>KANSAS</u> <u>POLICE AND FIREMEN</u>	<u>MARYLAND</u> <u>STATE POLICE</u>	<u>MONTANA</u> <u>HIGHWAY PATROLMEN</u>	<u>ILLINOIS</u> <u>HAZARDOUS DUTY</u>	<u>PENNSYLVANIA</u> <u>HAZARDOUS DUTY</u>
Contributory versus noncontributory	7 percent of gross pay.	8 percent of salary.	6.5 percent of gross salary.	4.0 to 9.5 percent of salary.	5 percent of gross pay up to Social Security taxable wage base, 10 percent on excess.
Vesting	After 20 YOS return of contributions if less than 20 YOS.	After 5 YOS payment at age 50.	10 YOS.	Age 60 with 8 YOS.	10 YOS
Cost-of-living adjustments provisions	Retirant dividend—13th check payable each year through 1987 unless extended. 10 percent across the board increase to all who retired before July 1, 1981.	Full cost-of-living adjustment based on consumer price index all urban U.S. cities average.	Granted by legislature on an <u>Ad Hoc</u> basis.	Determined on an <u>Ad Hoc</u> basis.	Legislated on an <u>Ad Hoc</u> basis.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON
STATE SYSTEMS

	<u>KANSAS</u> <u>POLICE AND FIREMEN</u>	<u>MARYLAND</u> <u>STATE POLICE</u>	<u>MONTANA</u> <u>HIGHWAY PATROLMEN</u>	<u>ILLINOIS</u> <u>HAZARDOUS DUTY</u>	<u>PENNSYLVANIA</u> <u>HAZARDOUS DUTY</u>
Integration with social security or other government pensions	Police and firemen are not covered by Social Security.	State police are not covered by Social Security.	Highway patrolmen are not covered by Social Security.	State police, conservation police, law enforcement investigators, secretary of state investigators firefighters, and certain pilots are not covered by Social Security.	Covered by Social Security. Benefits are additive to retirement.
Survivor protection	Maximum 75 percent X final average salary. Post retirement: lump sum payment equal to 50 percent of final average salary plus reduced annuity other options available.	Less than 1 YOS—return of contributions. 1-2 YOS return of contributions and 1 year salary over 2 YOS—return of contributions and 50 percent of service benefit. Postretirement: 50 percent of monthly benefits.	50 percent final average salary less workers compensation. Nonoccupational—members contributions plus interest. Postretirement: reduced benefit based on option elected at retirement.	Return of contributions with interest plus 50 percent of final average compensation to spouse. Postretirement: annuity or above excluding refund of contributions.	Lump-sum benefits with less than 10 YOS. 10 YOS or more calculation formula applies. Postretirement: actuarial reduction of remaining benefits.
Postretirement restrictions and requirements	Employment with government unit from which retired limited to 30 days.	Earnings limitation if rehired by same employer.	None	Loss of pension if permanently reemployed by the state.	None

CIVILIAN HAZARDOUS DUTY PERSONNEL
 RETIREMENT SYSTEM COMPARISON
 STATE SYSTEMS

	<u>KANSAS</u> <u>POLICE AND FIREMEN</u>	<u>MARYLAND</u> <u>STATE POLICE</u>	<u>MONTANA</u> <u>HIGHWAY PATROLMEN</u>	<u>ILLINOIS</u> <u>HAZARDOUS DUTY</u>	<u>PENNSYLVANIA</u> <u>HAZARDOUS DUTY</u>
<u>DISABILITY</u> <u>RETIREMENT</u>	Service connected. Maximum 75 percent X final average salary. Not service connected: 5 YOS required. 50 percent of average salary maximum.	Service connected, 2/3 average final salary plus annuity based on contributions. Non-service connected, same as service with 35 percent minimum.	Service connected, 50 percent of final average salary. Non-service connected, 2 percent X YOS X final average salary actuarially reduced from age 60.	50 percent—70 percent of compensation. Eighteen month service requirement for nonoccupational disability.	With 5 YOS (YOS restriction does not apply to state police and liquor control board enforcement officers) up to 70 percent of 3 YOS average salary.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON FOR
LOCAL GOVERNMENT

	COUNTY OF FAIRFAX, VIRGINIA		CITY OF LOS ANGELES	KANSAS CITY MISSOURI	CITY OF JACKSONVILLE, FLORIDA	SEATTLE, WASHINGTON		
	<u>POLICE</u>	FIRE AND OTHER UNIFORMS (RESOLVE, SHERIFF PARK AND GAME)	<u>FIRE & POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>POLICE AND FIREFIGHTERS</u>	<u>FIREFIGHTERS</u>	<u>POLICE</u>
<u>NONDISABILITY RETIREMENT</u>								
Minimum Age/YOS	20 YOS/no minimum age	20 YOS/no minimum age	10 YOS/age 50	25 YOS/any age	25 YOS/any age	25 YOS/age 50 1/ No early retirement.	25 YOS/age 50 1/ No early retirement.	25 YOS/age 50 1/ No early retirement.
Mandatory Retirement Age or YOS	Age 60 with 25 YOS	Age 55 extensions available to age 65 (Fire). Others age 70 with extensions to age 75.	No mandatory age, although after age 70 have to pass physical.	Age 65	30 YOS/age 60 whichever is sooner. Age may be extended to 65 but no credit beyond 30 YOS.			
Average Retirement Age	50.8	53.8	53 - Fire 52 - Police	49 (estimate)	50 (estimate)	53	53	50
Benefit Formula	2 1/2 percent of average annual salary (last 3 years) for 25 YOS + 2 percent of average final compensation for each year beyond 25. Limit 66.66 percent of average final compensation.	1.5 percent average annual salary up to projected Social Security earnings at age 65, plus 2 percent of average final compensation above, Social Security limit, times YOS, plus a supplement equal to primary Social Security Benefits.	2 percent of 1-year average salary for each YOS up to 20 YOS; plus 3 percent for each additional YOS up to 30 YOS. Maximum of 70 percent for 30 or more YOS.	2 percent of average high 2 years salary times creditable YOS not to exceed 60 percent.	2 percent of average high-3 salary times number of years of creditable service not to exceed 60 percent.	2 percent of average 3 final years' salary times YOS to 30 years. 1 percent X calculation base X YOS for 30-35 YOS. 65 percent final average salary is maximum.	2 percent X final average salary X service years, not to exceed 60 percent.	Under 10 YOS: 1 percent X final average salary X service years. 10-20 YOS: 1.5 percent X final average salary X service years. Over 20 YOS: 2 percent final average salary X service years.

1/Eligible for full annuity without reduction.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON FOR
LOCAL GOVERNMENT

	COUNTY OF FAIRFAX, VIRGINIA	CITY OF LOS ANGELES	KANSAS CITY MISSOURI	CITY OF JACKSONVILLE, FLORIDA	SEATTLE, WASHINGTON			
	POLICE	FIRE AND OTHER UNIFORMS (RESCUE, SHERIFF PARK AND GAME)	FIRE & POLICE	FIRE	POLICE	POLICE AND FIREFIGHTERS	FIREFIGHTERS	POLICE
Contributory vs. Noncontributory	Employee contributes 12 percent of salary.	Employees contribute 7.08 to 8.83 percent of salary. Also contributes to Social Security.	Employees contribute 8 percent.	Employees contribute 9 percent.	Employees contribute 9 percent.	Employees contribute 4 percent.	Noncontributory.	Employee contribute 6 percent.
Vesting	With 5 YOS	With 5 YOS	After 10 YOS.	10 YOS	10 YOS	10 YOS payable at age 50.	20 YOS payable at age 50.	5 YOS payable at age 50.
Cost-of-Living Adjustment	Automatic 4 percent annual adjustment guaranteed.	Automatic 4 percent annual adjustment guaranteed.	Not to exceed 3 per- cent/year. Cost of Living Increases compound. Board may grant discretionary COLA every 3 years.	Annually based on Kansas City CPI, not to exceed 3 percent per year.	Annually based on Kansas City CPI, not to exceed 3 percent per year.	4 percent - 1979 9 percent - 1980.	CPI or full percent of salary increase for active fire fighters.	CPI related, no cap.
Integration with Social Security	Not covered by Social Security.	A Social Security offset is required.	Do not contribute and are not covered.	Do not contribute to Social Security.	Do not contribute and are not covered.	Do not contribute.	Not covered.	Do not contribute.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON FOR
LOCAL GOVERNMENT

	COUNTY OF FAIRFAX, VIRGINIA	CITY OF LOS ANGELES	KANSAS CITY MISSOURI	CITY OF JACKSONVILLE, FLORIDA	SEATTLE, WASHINGTON			
	FIRE AND OTHER UNIFORMS (RESOLE, SHERIFF PARK AND GAME)	FIRE & POLICE	FIRE	POLICE	POLICE AND FIREFIGHTERS	FIREFIGHTERS	POLICE	
Survivor Protection	Lump-sum pay back of contribution plus interest. Also, surviving spouse receive \$500 per month plus \$200 per month for each child under 18 (23 if a full time student) or \$1000 per month maximum. Alternate plan of 66.66 percent of members salary as of date of death. No minimum YOS. \$10,000 lump sum for service connected accidental death.	With 5 YOS minimum, surviving spouse may elect either a lump-sum contribution pay back or a life time annuity (unless remarried before age 60) based on 50 percent of members normal retirement benefit as of date of death. \$10,000 lump sum for service connected accidental death.	No age or service conditions for member. One year average salary. Eligible spouse receives 75 percent of base.	Funeral benefits of \$1,000. 50 percent of accrued pension to spouse until death or remarriage, and \$50 a month to each child under age 18.	Funeral benefit of \$200. 40 percent of final compensation to spouse until death or remarriage, and \$25 a month to each child under age 18.	Immediate coverage calculated like normal. Surviving spouse receives 66.7 percent.	Death of any cause. 50 percent to survivor if service caused, 33 1/3 if non-service. Funeral allowance \$200-500 if preretirement.	Death of any cause. Related to normal benefit formula \$1,000 coverage for death of any cause preretirement.

CIVILIAN HAZARDOUS DUTY PERSONNEL
RETIREMENT SYSTEM COMPARISON FOR
LOCAL GOVERNMENT

	COUNTY OF FAIRFAX, VIRGINIA	CITY OF LOS ANGELES	KANSAS CITY MISSOURI	CITY OF JACKSONVILLE, FLORIDA	SEATTLE, WASHINGTON	
	<u>FIRE AND OTHER UNIFORMS (RESCUE, SHERIFF PARK AND GAME)</u>	<u>FIRE & POLICE</u>	<u>FIRE</u>	<u>POLICE AND FIREFIGHTERS</u>	<u>FIREFIGHTERS</u>	<u>POLICE</u>
<u>DISABILITY RETIREMENT</u>	No minimum age or service requirements. Line of duty: 66.66 percent of salary (Workmens compensation offset). Retired or normal retirement when eligible. Non-line of duty: early retirement if eligible, otherwise sum equal to (1) 10 percent average annual salary, and (2) 2 1/2 percent of average annual salary X YOS.	Service Connected - No age or service conditions; 1-year average salary; 30-90 percent depending on severity of disability. Non-Service - 5 YOS; 1-year average salary; 30-50 percent depending on severity.	Only if worker is not eligible for other retirement and disability is work related. Pension is 50 percent final compensation but not less than 50 percent of maximum salary for a fire fighter. Non-duty disability - must be under age 65 with at least 10 YOS. Formula is 2 percent compensation X YOS not to exceed 60 percent.	For service connected disease or injury, member receives 60 percent of final compensation as long as disability continues.	Service and non-service related, both provide immediate coverage.	Service and non-service related, both provide immediate coverage. Service and non-service related, are both covered immediately.

Table 1

LIFETIME RETIREMENT EARNINGS OF A TYPICAL
U.S. OFFICER AND ENLISTED PERSON UNDER
VARIOUS COUNTRIES' RETIREMENT PLANS (note a)

(in thousands of 1983 dollars)

<u>Retirement Plan</u>	<u>Officers</u>		<u>Enlisted</u>	
	<u>20 years</u>	<u>30 years</u>	<u>20 years</u>	<u>30 years</u>
U.S. military	\$701	\$973	\$329	\$481
Australia	645	858	325	442
Canada	560	816	283	413
France	<u>c/</u> 303	778	264	385
Israel	560	778	264	385
Soviet Union	(b)	1088	(b)	560
United Kingdom	897	827	(b)	280
West Germany	<u>d/</u> 500	<u>e/</u> 807	<u>f/</u> 255	<u>f/</u> 432

Footnotes:

a/ These estimates assume all military members retire in 1983 under the October 1982 pay schedule. Enlisted persons with 20 years of service are assumed to retire at age 39 and grade E7. Enlisted persons with 30 years of service are assumed to retire at age 49 and grade E8. Officers are assumed to retire at age 43 and grade O5 (20 years of service) and age 53 and grade O6 (30 years of service.) All personnel are assumed to receive normal promotions over the course of their careers. Regular Military Compensation is used as the earnings base for countries using a salary system for military pay. Officers are assumed to live to age 80; enlisted persons to age 76. Lifetime retirement earnings figures are estimates of the total undiscounted benefits received if retirees had been subject to each indicated plan. Future retirement earnings are not recomputed to account for any benefit increases due to inflation.

b/ Retirement with 20 years of service is not permitted.

c/ Special permission required to retire after 20 years of service; annuity assumed to start at age 60.

d/ Annuity assumed to start at age 56.

e/ Annuity assumed to start at age 58.

f/ Annuity assumed to start at age 50.

Table 2

LIFETIME RETIREMENT EARNINGS OF
A TYPICAL OFFICER AND ENLISTED
PERSON UNDER VARIOUS FEDERAL
RETIREMENT PLANS (note a)

(in thousands of 1983 dollars)

<u>Retirement Plan</u>	<u>Officers</u>		<u>Enlisted</u>	
	<u>20 years</u>	<u>30 years</u>	<u>20 years</u>	<u>30 years</u>
U.S. military	\$701	\$ 972	\$329	\$481
Civil service				
-General employees	299 (b)	590 (c)	118 (b)	234 (c)
-Protective services	688 (d)	1102	302 (d)	541 (d)
-Air traffic controllers	688 (d)	886	302 (d)	434 (d)
Foreign service				
-RMC as earnings base	551 (d)	945	241 (d)	463 (d)
-Base pay as earnings base	454 (d)	778	185 (d)	370 (d)

Footnotes:

(a) These estimates assume all military members retire in 1983 under the October 1982 pay schedule. Enlisted persons with 20 years of service are assumed to retire at age 39 and grade E7. Enlisted persons with 30 years of service are assumed to retire at age 49 and grade E8. Officers are assumed to retire at age 43 and grade O5 (20 years of service) and age 53 and grade O6 (30 years of service.) All personnel are assumed to receive normal promotions over the course of their careers. For the U.S. military retirement system, final base pay is used as the earnings base for retirement benefit calculations. For the three civil service plans, the average of the final 3 years of Regular Military Compensation is used as the earnings base. For the foreign service systems, estimates using both earnings bases are presented. Officers are assumed to live to age 80; enlisted persons to age 76. Lifetime retirement earnings figures are estimates of the total undiscounted benefits received if retirees had been subject to each indicated plan. Future retirement earnings are not recomputed to account for any benefit increases due to inflation. Retirement annuities start immediately unless specified differently in notes (b) through (d).

(b) Retirement benefits assumed to start at age 62.

(c) Retirement benefits assumed to start at age 55.

(d) Retirement benefits assumed to start at age 50.

Table 3

LIFETIME RETIREMENT EARNINGS OF
A TYPICAL OFFICER AND ENLISTED
PERSON UNDER VARIOUS STATE AND
LOCAL RETIREMENT PLANS (note a)

(in thousands of 1983 dollars)

<u>Retirement Plan</u>	<u>Officers</u>		<u>Enlisted</u>	
	<u>20 years</u>	<u>30 years</u>	<u>20 years</u>	<u>30 years</u>
U.S. military	701	972	329	481
Illinois	510 (e)	1120	214 (e)	547 (d)
Kansas	402 (e)	793 (e)	168 (e)	331 (e)
Maryland (b)	606 (d)	953	266 (d)	467 (d)
Montana (b)	679	866	343	441
Pennsylvania	551 (d)	945	241 (d)	463 (d)
Kansas City (b)	(note c)	945	(note c)	481
Los Angeles	598 (d)	1172	261 (d)	581 (d)
Seattle (b)	(note c)	1004 (d)	(note c)	498 (d)

Footnotes:

(a) These estimates assume all military members retire in 1983 under the October 1982 pay schedule. Enlisted persons with 20 years of service are assumed to retire at age 39 and grade E7. Enlisted persons with 30 years of service are assumed to retire at age 49 and grade E8. Officers are assumed to retire at age 43 and grade 05 (20 years of service) and age 53 and grade 06 (30 years of service.) All personnel are assumed to receive normal promotions over the course of their careers. The earnings base in the retirement benefit calculations is base pay for the U.S. military system and Regular Military Compensation for all other systems. Officers are assumed to live to age 80; enlisted persons to age 76. Lifetime retirement earnings figures are estimates of the total undiscounted benefits received if retirees had been subject to each indicated plan. Future retirement earnings are not recomputed to account for any benefit increases due to inflation. Retirement annuities start immediately unless specified differently as in notes d and e.

(b) Police only.

(c) Retirement with 20 years of service is not permitted.

(d) Estimate assumes retirement benefits start at age 50.

(e) Estimate assumes retirement benefits start at age 55.